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EDITORIAL — SOME HIGHLIGHTS

I. General Economic Scene

State :

Annual Plan for 1974-75 : In the last issue (Volume IV pages 327-329) the Annual Plan for 1974-75 as presented to the legislature and approved by it for Rs. 151.14 crores was summarised. At the May session of the Lok Sabha, the Union Planning Minister caused some confusion by reporting that the Tamil Nadu Plan which was proposed at Rs. 165 crores was after consultation with the Chief Minister reduced to Rs. 112 crores, in accordance with the quantum of Central assistance and the resources available to the State government. The Chief Minister, however, clarified that the State government had not agreed to this reduction but it had merely been the subject of discussion between the Union Planning Commission and the State government representatives. It is hoped that after the next meeting of the National Development Council, both the Annual plan and the Five year plan for this State are settled. It is not possible to continue too long into the year with uncertain approvals and allocations. Implementation will lag in quantity and deteriorate in quality. It seems however that the State Planning Commission should have ready a system of priorities for the Annual and Five year Plans so that they can be fit into whatever resources are finally decided upon.

Power: Consequent on the railway strike which began formally at 6 a.m. on May 8, but which in effect started on May 3, the poor coal stock position at Ennore and Basin Bridge referred to in the last issue (Vol. IV page 330) dwindled in early May to 2 days stock and further railway coal arrivals seemed doubtful. To stretch all its meagre coal supplies, the Electricity Board restricted Ennore generation to 100 MW and Basin Bridge to 50 MW. Neyveli's contribution to the grid had at this time also fallen from 235 MW to 175 MW as reported in the last issue (Vol. IV page 330) and hydel reservoirs were rapidly depleting. Hence at the end of the first week of May, the power available was reduced from 16 million units to 13 million units per day. It was this gap of 3 million units per day which led the government on May 7 : (a) to impose a cut of 60 per cent on all industrial and commercial services except for low tension loads consuming less than 200 units per month; industrial establishments exceeding the reduced quota would be disconnected and shops and business concerns will be charged four times the normal rate for any excess (b) For non-continuous process industries, power was to be supplied on only 3 days in a week on the basis of zoning of the different areas. (c) Power supply to cinema houses was to be made available for 2 shows only per day to shops and commercial establishments upto 7.30 p.m. and (d) Alternate street lights were to be switched off. For domestic consumption, the normal rate for upto

150 units per month and the 15 per cent cut on essential services were to continue. On this occasion, the industrialists and the people's representatives were continuously consulted by the government and were hence prepared for this drastic reduction and accepted it as reasonable and inevitable under the circumstances. For farmers power supply was available for six hours during the day and 9 hours during the night. While they were exempted from any further cuts, due to generation problems and the excessive consumption by some large farmers, there was frequent load shedding which affected farming operations seriously. Curiously the railway strike and the general disruption of the economy it caused, became the occasion for a more regular supply of coal to Ennore and Basin Bridge and in fact to all thermal plants in the Country. Coal was rushed to the State from Andhra Pradesh and Orissa by railway wagons and coastal vessels. By the end of May, coal stocks at Ennore had risen to 40,000 tonnes and 750 tonnes of furnace oil were being daily delivered to Neyveli for its oilfired generation. The South West Monsoon also seemed to be making an early start. By mid May there were clear enough indications that by the end of the month the South West Monsoon would be in full swing and the hydel reservoirs would be filled to capacity. Power generation in Ennore by the end of May involved use of the two 110 MW generators and the two 60 MW sets, generating its full 340 MW. The first 50 MW oil converted unit at Neyveli began operating at the end of May raising its output to 250 MW. Hence by the end of May the power situation had improved to 17 million units a day—13 million units from the thermal units and Kerala, and 4 million units from the hydel stations. It is expected that from early June there will be a gradual relaxation of power restriction in the State starting with reducing the cut to 45 per cent relaxing other limitations. In the meanwhile leading businessmen in the State have proposed the setting up by the private sector of 2 thermal stations one in Madras and the other in Coimbatore to look after the needs of the industries in the two main industrial centres in the State. Any surplus power from these stations will be fed into the State grid. The needed equipment would have to be imported on a deferred payment basis and the foreign exchange costs will be repaid by additional products produced for exports. Further, recognising the fact that with all these measures the State will face a power shortage during the Fifth and Sixth Plans, the government's white paper on power is a good and useful document explaining to the people the power position and how it should be used economically.

The general power situation in May in the Country as a whole was equally bad and the railway strike disrupted the power supply in different States. Maharashtra faced a serious dearth of coal in mid May for its Nasik, Satara and Kolhapur, Bhusawal, Paras and Tata's thermal stations and with Tarapur going idle from May 7, imposed a 60 per cent cut and reduced drastically air conditioning facilities in hotels, airports etc. In Gujarat a 25 per cent cut was imposed on May 5 on industries due to coal shortage for its Dhruvaran power station. Punjab and Haryana faced continuing power shortage (See last issue, Vol. IV page 332) worsened by the railway strike and the powermen's strike in May resulting in 60 per cent cut in the two States. U. P. had similar cuts and in this State also a private sector plan to meet the recurrent power shortage has been developed, as in Tamil Nadu, for generating 720 MW at a cost of Rs. 288 crores. The plan comprises (a) a co-operative power station for 120 MW by a group of electric furnace owners in Ghaziabad and its surroundings, (b) a co-operative station generating 240

MW proposed by 10 cotton mills, engineering and electric furnace units, a host of medium sized units and IEL at Kanpur, (c) a second captive plant for 240 MW for Hindaloo, and (d) a co-operative plant for 120 MW by the Sugar mills at Gorakhpur. This programme and that of Tamil Nadu by private industrialists should be examined and acted upon favourably by the Union government. It is true that power generation is in Schedule A of the Constitution, but given the power famine that we will be facing during the Fifth and Sixth Plans, the initiative of Tamil Nadu and U.P. industrialists should be given speedy approval. When in time the Country becomes surplus in power, these plants can become part of the State undertakings. The proposal for financing the U. P. plan is Rs. 28.8 crores of private equity, Rs. 57.6 crores by public equity and Rs. 201.8 crores through industrial loans. Both the Tamil Nadu and U.P. plans can be executed in about 3 years which is about half the time that the State Electricity Board would need to execute similar projects. The management, the unit cost of generation and the selling price per unit to the public and industries could be the subject of healthy competition between State power undertakings and the private ones. In any case with the approval of captive plants for the railways, there is no reason why these private sector plants should not be approved for the same reasons. The proposed Central Electrical Authority which the Union minister for irrigation and power announced is to be set up to separate power from the CWPC and to manage power generation. It could have the same supervisory and co-ordinative functions vis a vis the private sector plants as it does with regard to the State Electricity Boards. In the meanwhile, the most recent report on power presented to the Lok Sabha at the beginning of May states that power transmission losses in the Country range from a scandalous 18 to 25 per cent, with certain States like Punjab suffering a loss of 34 per cent. The losses are due to thieving, low power factor of agricultural pumping loads and the long lengths of sub-transmission and distribution lines in rural areas. We need to expand rural electrification and energise agricultural pumpsets and this will involve some loss which has been estimated at 14 per cent. But all losses above this must be stopped and measures to this effect have been discussed and outlined in Vol. III pages 230, 313-314. For reducing transmission losses large investments are not needed. What is needed is the use of higher transmission or sub-transmission voltages, adequate size of conductors, and integrated operation of power systems. The State Electricity Boards should act on these findings and maintain a running cost analysis system to check on how their losses in rural electrification can be balanced by their profits on industrial consumption. As in this State, the railway strike has after the initial disruption, in reality ensured adequate coal for all thermal plants in the Country because of the priority given by the reduced services to transporting coal to thermal and steel plants. By the end of May all thermal stations had a 2 week stock of coal (against the 2-5 days stock at the beginning of May) and there has been an uninterrupted flow of coal to the thermal stations some of which have also built up stocks of residual oil. Once the railway strike is ended, this happy state of affairs will end, as the indudstrial goods traffic for international and export purposes which has been held up will have to be given its share of railway transport. But as at the end of May the thermal stations were well stocked with coal and were back to the full position of early 1972. At that time, States like Maharashtra began to relax their restrictions in power consumption in the case of

continuous process industries to 20 per cent, cotton textiles to 20 per cent and essential consumers to 10 per c- Also the Union ministry reports that 8 power projects which will be completed by the end of the yea wi l add 1.11 million KW to our power supply (out of a total of 2.12 million KW to be completed by March 1975). The 8 projects are Bhatinda thermal (110 MW), Badarpur thermal (200 MW), Faridabad thermal (130 MW), Chilro thermal (120 MW), Koradi thermal (120 MW), Balimela thermal (120 MW), and Kothagudam thermal station with 110 MW. And with the monsoon, Rihand, Saraswati, and all the Southern reservoirs will be full and hydel generation will be normal—leaving only Tamil Nadu and to some extent Karnataka as States encountering a deficit. Tamil Nadu must urge speedy action on the second mine cut in Neyveli as its next important facility, ensure that the Kalpakkam atomic plant becomes criticai in 1976 and join with Kerala and Karnataka in joint financing of power projects. (See Vol. III page 694 and Vol. IV page 4). The Power Project Division set up by BHEL with headquarters in Madras will also help. It will co-ordinate the production of power equipment manufacturing units with the needs of State Electricity Boards for expediting the commissioning of thermal plants. The unit will play a turn key role for the State Electricity Boards and is now visiting all State Boards, assessing their problems in erection and commissioning of plants and helping in overcoming them.

South Zone: The Southern zone (See Vol. II No. 9 page 4) which is active in regard to transport and tourism and starting to be so for power and water, is being discussed in its relation to foodgrains. The Union government proposes raising the question of a Southern food zone in order to see whether Andhra and Tamil Nadu with their foodgrain surplus could meet the large Kerala food deficit and the smaller Karnataka food shortage. Already in response to the suggestions of the Chief Ministers of Tamil Nadu and Kerala, the Union government has agreed to the government of Kerala purchasing rice directly in Tamil Nadu and Andhra Pradesh. There is something wrong with the distribution system when in the same Country and in the same Southern Zone rice should be selling at Rs. 1.20 per kilo in Tamil Nadu and at Rs. 4 per kilo in neighbouring Kerala. The railway strike did not affect rice supply to Kerala because of the five months—over 5 lakh tonnes—rice and wheat stocks held by the FCI godowns in Kerala, Karnataka and Tamil Nadu. On Transport, Tamil Nadu and Andhra Pradesh governments have agreed to increase the number of lorries plying between the 2 States from the present 2,500 to 3,500 on single point taxation system.

Water: The governments of Tamil Nadu and Andhra Pradesh are discussing the linking of the Krishna with the Pennar through a 210 km. canal. Such a canal will use the 40 per cent Krishna waters at present wastefully flowing into the sea and will benefit the dry Chittoor district in Andhra and neighbouring regions in Tamil Nadu. It is planned to have a meeting of the Chief ministers of Tamil Nadu, Kerala and Karnataka in October to discuss again the Cauvery waters issue on the basis of the second report on the Cauvery waters (See Vol. IV page 259). In mid May the Rs. 36 lakh Karur water supply scheme and the Punjai Pugalur water supply scheme on the banks of the Cauvery on the Tiruchi–Salem border were inaugurated. These are parts of the State Government's Rs. 27 crores water supply programme for this year, administered by the Tamil Nadu water

Supply and Drainage Board. As of May, the Union authorities had approved only Rs. 16 crores of these schemes. The entire programme is part of the minimum needs programme and should be given approval immediately.

State Services: In early May the government announced the setting up of a Dearness Allowance Commission to study all aspects of dearness allowance of State government employees and the question of relating the dearness allowance to the cost of living index. It also announced the following concessions to the State government employees: the abolition of the half per cent interest rate on festival advances; the increase of the pension formula from 30/80 to 33/80: the gratuity to be increased from 14 months pay to 16 months pay: government road inspectors to be eligible for pensions: executing the ARC recommendation of PWD and Highways departments staff: selection grade posts to junior assistants in the Soil Conservation Department. The further demand of the State services for parity with Central services, however, raised wider questions of levels of responsibility and spatial difference in living costs, as well as the resource limitations of the State government and cannot be accepted. The government also announced the separation of the Panchayat Development Department from the Revenne Department from July 1. This means that all powers now vested in the Revenue Divisional Officer as regards panchayats will be transferred to new officers in the panchayat wing. The officers are to be called Divisional Development Officers (DDO). With the District Collector in overall charge, there is to be one DDO for each revenue division. With this reform, there is to be a devolution of powers to the DDO and the panchayat union as recommended by the State Planning Commission and the Seminar on Plan Implementation (See Vol. III pages 758—762) in the matter of schemes of drinking water supply, link roads and school buildings.

Ports: Madras along with Vishakapatnam improved their handling capacity of foodgrains and fertiliser by over 50 per cent in 1973-74, compared to the two previous years which was 1.6 million tonnes each year. In contrast last year almost all foodgrain and fertiliser imports into the Country were handled by the two ports which totalled 2.5 million tonnes. However in part due to the railway strike, May witnessed acute congestion at the Madras port. 36 vessels were waiting to be unloaded and 6 more to enter—all with priority wheat and fertilisers cargo. Due to shortage of wagons, daily 500 tonnes of primary cargo was piling up. Further while each vessel carries 20,000 tonnes, the port's daily unloading capacity is only 2,500 tonnes. At this rate FCI will need many months to clear the cargo. In the Tuticorin harbour, temporary arrangements have been made to receive naphtha and fuel oil carrying ships for SPIC's fertiliser complex. The deep sea harbour will be completed by the middle of 1975, with four berths being available One berth will be available in October for unloading coal for the Sankarnagar unit of India Cements. An oil jetty is being constructed and rail and road links for connecting the shore with the wharf will be completed by October, so that the new Tuticorin harbour will then be declared a major port of the Country.

Housing: The Tamil Nadu Housing Board's programme for reducing construction costs include use of prefab walls and construction of lime mortar houses, with cement used only for plastering. For the weaker sections, the initial payment for a house has been reduced from

one fourth to one tenth of the cost. As of May, the Board had constructed 1,640 houses for this group and 1,000 houses for industrial workers. The Harijan Housing and Development Corporation is building fire-proof houses with cattle-shed, poultry, space and a kitchen garden. At the end of May a Conference convened by the Union Minister of Housing for State ministers of Housing is to be held in Madras at which legislation for socialisation of land, amendments to the Land Acquisition Act to eliminate delays and reduce costs, giving housing finance priority for bank loans, the setting up of industries for developing local building materials, and the reduction of interest rates on the Board's loans from 7.5 to 6.5 per cent and extending the repayment period to 5 years are to be considered. A major area of discussion will be the setting up of Rural Housing Boards, with powers to raise funds from financial institutions and market borrowings.

National:

1974-75 Budget: The Union 1974-75 budget (See Vol. IV pages 262-265) was adopted by the Lok Sabha with the following modifications: (i) With a view to encourage the switchover from oil to coal as the energy base of the economy and given the difficulty for many industries to obtain delivery of new boilers, the period for the development rebate for the switchover from oil fired to coal fired boilers was increased from one to three years, extending the concession to furnaces, kilns, ovens and machinery for converting such oil fired equipment to coal fired ones. (ii) The excise duty on the inferior varieties of coffee – Liberia and Excelsia—was reduced from Rs. 100 to Rs. 75 per quintal and similar reductions were made on photographic papers, aerated waters, hexane, waxed and polythylene paper and boards. (iii) The preferential tax treatment to Indian companies and resident non corporate tax payers for technology services and transfers to foreign enterprises are extended to accounts brought in after the assessment year and (iv) The income tax benefits given to State Financial Corporations would be extended to approved Financial Corporations which are deemed to be Financial Corporations under the State Financial Corporation Act. In adopting the Finance Bill, the Lok Sabha noted the Union Finance Minister's statement that the deficit financing for 1973-74 was only Rs. 320 crores and not Rs. 650 crores as stated while presenting the budget (See Vol. IV page 263). In the absence of further details on this revised figure, it is not possible to review the relation of the government's deficit financing last year to the sharp expansion of bank credit. The "economic and functional classification" of the Budget shows that the rate of increase of government expenditure for 1974-75 will be lower at Rs. 353 crores or 4.3 per cent than the 1973-74 increase at Rs. 452 crores or 5.8 per cent. Of the total expenditure of Rs. 8,654 crores, 41.6 per cent are for the Union government demand for goods and services for consumption which is increased by Rs. 403 crores to Rs. 2,734 crores and for gross capital formation which is increased by Rs. 100 crores to Rs. 868 crores. The rest Rs. 5,052 crores are transfer payments, investments and loans. The provision for social and economic services accounts for 49 per cent of the budget, compared to last year's 46 per cent, showing larger development outlays for this year. This will to some extent counter last year's decline by Rs. 100 crores of development expenditures.

States deficits and finances: In May the ways and means position of Kerala

and Karnataka governments had deteriorated to such a point that they had passed the limits on their RBI overdrafts, leading to the unseemly spectacle of the cheques drawn by these two State governments being dishonoured by the RBI. The finance ministers of the two States rushed to Delhi to make immediate arrangements to get their cheques honoured. This is part of a wider problem wherein the States have started 1974-75 with a negative opening balance (a deficit) of Rs. 267.15 crores and have proposed deficits adding upto a total of Rs. 175 crores. As noted in the last issue of the Bulletin (Vol. IV page 337), practically all States presented to their legislatures deficit budgets and all but 3 proposed no new avenues of resources mobilisation. Now the writing is on the wall for all States. No longer will there be easy resort to the RBI to go beyond their overdraft rights. They are required, as this State has done, to cut back on their non-essential low priority expenditure and raise additional resources for financing their Plan outlays through taxing further the affluent agriculturalists and revising irrigation and electricity rates. The additional resources that have to be raised during the Fifth Plan are Rs. 6,850 crores which is Rs. 4,300 crores by the Union authorities and Rs. 2,550 crores by the States, at 1972-73 prices. For the States it means a 2.5 times increase over the resources of Rs. 1,058 crores raised during the Fourth Plan, and this sum is likely to be further increased when the price rise in 1973-74 is taken into account. This is a large task and all efforts should be bent to achieve it, including plugging loopholes in sales tax payments and all forms of tax evasion. The Union Finance Ministry has asked all States to raise additional resources from the agricultural sector and by raising power and irrigation rates. The Union Planning Commission in its turn has informed the States that they will receive adequate Plan outlays for their programmes, only if their record of resource mobilisation is better than in the past.

Annual Plan 1974-75 and the Dharia Committee Report: The Annual Plan presented to the Lok Sabha summarised in the last issue (Vol. IV, page 338) and the Dharia Committee recommendations on essential commodities summarised in Vol. IV page 183 are closely linked. The Annual Plan lays down the targets for this year very specifically as: foodgrains 118 million tonnes, oil seeds 10 million tonnes, sugar cane 141 million tonnes, cotton 6.8 million bales, jute 6.9 million bales, steel ingots 6.54 million tonnes, saleable steel 5.1 million tonnes, coal 90 million tonnes, iron ore 38 million tonnes, nitrogenous fertilisers 3,80,000 tonnes, cement 16.5 million tonnes, newsprint 55,000 million tonnes and sugar 4.6 million tonnes. (In the document, Tamil Nadu's Annual plan is shown as Rs. 112 crores as noted earlier). How far these production targets are attained can be examined at the end of the year but both their attainment and their contributing to "controlling inflation and initiating policies and measures for the achieving of the basic objectives and targets of the Fifth Plan "depend, amongst others, on acting on the recommendations of the Dharia Committee. The government should act on the report now if the fruits of this year's development are to be shared a little more evenly among the poor majority. Even if the production targets are achieved, the social objectives of the plan, the Committee points out, call for "an adequate public procurement and distribution system as a key link with the institutional infrastructure to ensure the adequate availability of essential inputs such as fertilisers, pesticides, seeds, cattle feed, poultry feed, steel and cement". In particular the Committee's recommendation on a decentralized State-centred

operation, covering the whole gamut of procurement, transport, storage and distribution, co-operative agencies, panchayati raj institutions and local authorities, involving the poople at all levels must be accepted and acted upon. The proposal to free Vanaspati from all control and to leave its price to market forces would go against one of its specific recommendations to set up an Oil-seeds and Vegetable Oil Corporation of India which should make available the appropriate quantity of levy oil to the vanaspati industry, making a levy on vanaspati producers equal to the oil supplied to them, along with the Corporation having exclusive responsibility for imports and exports of oilseeds and oils. There are grounds for pessimism about the government acting on the Committee's recommendations and to that extent the Plan objectives will not be realised. The other problem is that the year's targets in power, coal, fertilisers and steel seem unrealisable, because, taking into account the increased cost of investment, the ministries concerned have requested Rs. 400 crores more than provided in the budget to meet their annual Plan targets. The Power target will cost Rs. 220 crores over the budget and steel target another Rs. 80 crores. But with no further hope of additional resource mobilisation, the agricultural allocation being in the key core sector and the social services finance already cut to the bone, the targets in the 4 areas are not likely to be attained if past methods are followed. The shortfalls in these areas will affect the productivity of private sector investment, create imbalances in the industrial sphere and increase the pressure for imports and accentuate our poor balance of payments position. With this rather sombre prospect, new methods of management and increasing economies should be explored by the ministries and the public sector undertakings. The Union Finance ministry announced in mid May major changes in its procedures of inspection and control which will confer autonomy on the Union ministries, which they in their turn should pass on to the public sector undertakings in their charge. At present there are long delays suffered by the undertakings in getting their plans and projects approved by the Finance ministry as each scheme has to be scrutinised and approved by the Ministry. Now the advice of the ministry is to be available at all levels of decision making from the stage of the planning to execution, so that this cause for delay and increased costs of operations of the public sector undertakings can be eliminated, together with the rush by the ministries to spend their allotments fast in the last month of the financial year. This is a small and much needed management change. There are many innovations and cost cutting procedures and programmes that the power, coal, steel and fertiliser sectors should resort to before throwing up their hands and reducing their already low targets.

A Wage and Income Policy: The disastrous railway strike in May has brought to the fore the question of a wage and income policy for the Country. The present situation which sparked off the railway strike and is the cause for 80 per cent of the man days lost in strikes in the Country arises from wage disputes and the wide wage differentials for the same type of work and same level of skill as well as different types and levels of work and skill both within the same industry and between different industries. These differentials have been the result of ad hoc decisions and competitive claims resulting in a vicious circle of successive enhancements of wages and salaries without any relation to productivity considerations or the relations between the different groups of emoluments. What is needed is the establishment of a minimum wage by

State and regions within the State, the development of norms for wage and salary fixation by industry in the organised sector to start with and the fixing of wages for each industry and the different units within each industry. This requires first the collection of data on the present wage structure in the organised sector in the Country. The data on existing wages collected in the first survey in 1958 and the second survey in 1965 are now outdated. The Union Labour Ministry's Labour Bureau in Simla is now conducting the third occupational wage survey in the public and private sectors and government establishments. Since the second survey in 1968 a number of wage boards set up by the Union government for different industries have made awards which have made the second survey out of date. The present survey which will be completed by the end of this year covers 80 industries—69 in the manufacturing sector, 8 in mining, and 3 in plantations. In addition the wage cell in the labour ministry is making a study of wages and salaries in the unorganised and agricultural sectors and government services. It is important that these surveys are completed on time and not prolonged uselessly as the second rural labour enquiry which was to start on March 1971 and be completed by February 1978. This vital enquiry into the socio-economic conditions of rural households and the changes in them induced by national development is at the heart of the policy regarding living conditions and standards for the majority of workers. The seven year duration for the enquiry is bad enough, but the labour ministry reports further delays at the start and non-completion of the intensive type studies on rural labour even today, 2 years after the deadlines. Here the data collection machinery should be decentralized and the processing speeded up. It can be done in view of the issues at stake. Only then will it be possible to evolve a national wages and incomes policy which will level down incomes and wealth of the small rich minority on the one hand and push up living standards of the poor working majority. In this connection the recommendations of the Parliamentary Committee on the Draft Fifth Plan are also relevant. It has recommended demonetization of currency to check the growing menace of black money as well as fundamental structural changes in agriculture and industry for removing poverty, reducing unemployment and raising resources. It has concluded that if power continues to be concentrated in a few hands, there will be continued industrial unrest and no relief to the poverty of the majority.

Prices: The price rise analysed in the last issue (Vol. IV, page 339) for February and March continued in April. The official wholesale price index with March 1968 as base 100 moved up by 0.5 per cent for the week ending April 13 compared to the previous week, by 0.7 per cent during the week ending April 20 and by 0.2 per cent during the week ending April 27. The all commodities index rose by 0.3 per cent, 1.2 per cent and 1.3 per cent on those three dates compared in each case to the previous week. Thus the price rise continued between 1.4 to 2.8 per cent during April. The official index of wholesale prices for the week ending May 4 was 290.9, that is 27.2 per cent higher than May 5, 1973. The government in May also released the official price rise statistics for 1973-74. The average index for 1973-74 stood at 264 compared to the average of 207.1 for 1972-73, recording a rise for 1973-74 of 22.6 per cent. In 1968-69 the price level fell by 1.1 per cent, in 1969-70 it rose by 3.7 per cent, in 1970-71 rose by 5.5 per cent, in 1971-72 rose by 4 per cent and in 1972-73 prices rose by 10 per cent. The common limitation of all these indices

is that they are based on controlled prices, whereas most persons have to resort to the open market for their purchases. Even using the official index, all items except jute were selling at prices higher by an average of 29 per cent on March 31, 1974, compared to their prices on March 31, 1973.

In fact the industrial workers consumer index shows a rise from 213 in January 1972 to 296 in March 1974—which is a rise of 40 per cent. The food index rose by 50 per cent (from 233 to 323) as did clothing and footwear (from 190 to 287). It was only house rents which were moderate (rising from 160 to 178). Also the lower rise in the whole sale index for April must be viewed against the very sharp rise since January 1972 and even compared to prices of 1973. It was the prices of rice, wheat, jawar, vegetables, oils and fire-wood which have risen from 50-96 per cent during the last year. The poorer sections have been and are being hit hard by the run away inflation. Hence the May meeting of the full Planning Commission with the Prime Minister presiding made a major decision directing the Commission and the Finance ministry to work out specific measures and programmes for arresting the present uncontrolled price rise as quickly as possible. To this end it was suggested that the two bodies review the fiscal and expenditure policies of the government, the credit instrument, the export-import policy and the policy of multi-dimensional price controls. In fact there was an invitation to the two agencies to do some fresh thinking and propose even "unconventional ways" of containing inflation. The first exercises to this effect carried out by the Union Planning Commission resulted in a series of negative conclusions. First it does not see how prices can be regulated by a simplistic formula of fixing them at 1.5 times the cost of production, including transport costs, taxes and projects, since the cost elements and components vary from product to product. In the case of soft coke transport is the major component of the cost of production, while for food-grains or textiles it is small. Second the policy of establishing price ceilings will work only if there are adequate buffer stocks to bring about a balance of supply and demand. Today with our poor buffer stock position, the ceiling policy is not likely to be practical. Third the case for a uniform and subsidised price of power and fertiliser and other inputs to the farmer is not a strong one. At a time when the prices of cement, steel, plant equipment and wages are rising, the Electricity Boards cannot supply power to farmers at a low price nor can it be uniform as cost conditions vary in different parts of the Country. As for fertilisers with their rising prices in the world market, any attempt at subsidy will involve deficit financing. This first study of the Commission therefore concludes only with endorsing the dual price policy —the better off sections paying higher margins to provide incentives to producers to produce more. There are more conventional and unconventional policies that the Commission and Union ministry should examine and recommend for action as recommended by the Delhi and Bombay economists, the academic economists and by a host of other bodies, including this Institute (See Second article in this issue).

Bank credit: RBI's press release in May explains the overrun in Bank credit during 1973-74 referred to in the last issue of the Bulletin (Vol. IV, pages 340). Commercial bank credit expanded by Rs. 1,037 crores in 1973-74 busy season and allowing for Rs. 190 crores for food procurement and Rs. 200 crores for credit to the export sector, Rs. 647 crores were made available to the non-food non export sector against the ceiling of Rs. 450 crores. This excess is explained by the RBI as

being due to increases in the prices of copper, crude oil, petroleum products, steel etc. as a means of maintaining essential production. The extent to which the increased credit was due to increases in inventories and speculative holdings is not brought out in the analysis. The Union Planning Commission in its end of May analysis refers to the laxity in credit management by the banks as being responsible for the busy season net bank credit having shot up to Rs. 909 crores as against Rs. 753 crores during the 1972-73 busy season. With such half hearted credit management, it feels there can be no cure to inflation. Further the credit deposit ratio which stood at 72.6 at the end of the 1973 74 busy season as compared with 70.3 at the end of the 1972-73 busy season reflected the low rate of deposit growth and the sluggish growth in the deposit resources of the banks which were compensated by the RBI's refinance facilities which simply added to the total volume of money. The favourable percentage ratios of money supply increases and commercial bank credit growth for this period are more than nullified by the larger absolute sums involved. The report of IDBI for 1973-74 shows an 80 per cent increase in assistance to industries, from Rs. 122 crores in 1972-73 to Rs. 220 crores in 1973-74. The schemes approved increased from 2,738 to 3,420, with a 61 per cent jump in assistance utilised from Rs. 89.8 crores to Rs. 144.3 crores. The major part of the assistance was project assistance in the form of direct loans, refinance of industrial loans and rediscounting of machinery bills. A satisfactory feature was that three fourths of the refinance assistance of Rs. 35.3 crores was for small scale industries and small road transport operators.

Industrial growth and the railway strike effects: The secular trends and the immediate effects of the railway strike on the economy are both depressing. The index of industrial production for October 1973 which was published in May stood at 191.0 which was a decline of 3.4 per cent compared to October 1972. Thus the average index for the first ten months of 1973 was 196.4 which was 2 per cent lower than the first ten months index of 1972. In face of this industrial slack, the decision of the Union government announced in the Rajya Sabha in May that it is planned to change the base year for the computation of the index of industrial growth from 1960 to 1968 has little relevance. The change is justified on the grounds that the 1960 base does not allow for the changes that have taken place in industrial production and growth during the Fourth Plan. But this is somewhat doubtful as the Fourth Plan achievements and non-achievements need to be measured against the record of earlier plan periods. May witnessed a slowing down of economic activity due to the railway strike. The wholesale commodity markets were seriously affected, their turnover being reduced to 25 per cent. Truncated banking facilities slowed down business activity Foodgrains did not report even 25 per cent of their normal turnover and business was held back in the expectation of a fall in prices. The sugar market, wheat market, as well as gur, salt, dry fruits and oilseeds piled up and stocks of refined groundnut oil and Vanaspati despite their short supply had reduced offtakes. Meanwhile the strike has generated black money as a large part of business transactions by private trade and industry since the strike has not been carried on through the banking system and there has, as a result, been sizable evasion of income tax, sales tax and other levies. This was aided by the P & T refusing to accept insured articles for some days when banks stopped sending cheques and other documents at their risk. The goods which were moved by rail

or road did not help the private sector, as banks refused to discount the receipts. The chemical industries and cement units faced particular problems in transporting their products. The credit squeeze forced industries to use costlier road transport to avoid growing stockpiles and all industries cut down their production schedules to avoid pile up. The railway strike while moving foodgrains, coal, crude and fertiliser has involved a hold up in the movement of all other goods and a slackening of production generally. A first estimation by the Railways of the cost of the 20 day strike is Rs. 50 crores to the railways, Rs. 25 crores to workers in wages and Rs. 500 crores for the economy. The loss to the economy is calculated as a multiple—10—of the railway loss. This needs checking when all the information is in.

National Production front:

Steel: The railway strike affected steel production. 3.10 lakh tonnes of finished steel and one lakh tonnes of pig iron accumulated by the third week of May with the five integrated steel plants since the start of the strike despite their reduced production schedules and their moving 70,000 tonnes by sea to meet the needs of steel consuming industries in Madras, Bombay, Cochin and Mangalore. The railways were able to move only 1 lakh tonnes of finished steel and pig iron since the strike. There also seems to be a fall in the demand for steel which might portend a recession in steel demand. The coal supply situation to the steel mills was a difficult one. The coal stocks with steel plants in May amounted to 7 days stock for Bhilai, 11 days for Rourkela, 3 for Durgapur, 10 for Bokaro, 6 for TISCO, and 6 for IISCO. If the daily coal movement is maintained at around 25,000 tonnes a day to the steel plants, as claimed by the railways, there will be no problem. But the S E. Railway troubles have reduced the movement to 10,000 tonnes a day. This accounted for the halting of the production of hot metals in all plants, which just maintained the heat of their coke oven batteries during the second and third weeks of May. Instead of feeding 57,000 tonnes of coal to the coke oven batteries of the six steel plants to produce hot steel their coal conservation policy cut back on steel production to 4.7 million tonnes, the lowest in 10 years. It is in this context that there were statements and counter statements that the Department of Steel was entrusting TISCO with the development of some public sector coal mines on the basis of a feasibility report prepared for TISCO by SOFREMINES, its French consultant, which recommended that along with developing TISCO's Bokari and Bhilataland mines, NCDC's adjacent mines and BCCL's Jharia mines could be fully developed by TISCO in a single operation. The proposal is however still under study and review by the Ministry and a decision will be made, it is hoped, as part of an integrated steel and coal policy. Despite these problems in May, the availability of pig iron during the current year is estimated by SAIL at 1.4 million tonnes (compared to 9.5 lakh tonnes last year) and the steel requirements of all export industries are to be met in full either from indigenous production or from imports. With regard to individual plants, the takeover of the management of IISCO (See Vol. II No. 9 page 10) is being extended for a further period of two years from July 15, 1974 prior to its nationalisation. Meanwhile since its takeover on July 14, 1972, despite the repair and partial rehabilitation of the plant, production has been declining or stagnant. With the full rehabilitation of the plant which will be completed in 1976, the unit should produce to its rated capacity. The expansion of Bokaro, Bhilai and TISCO discussed in the previous issues

of the Bulletin (See Vol. III pages 480 and 630, Vol. IV pages 347 and 348 of last issue), are now under review. Bokaro is ready to produce 1.7 million tonnes next year and its co-ordinated construction schedule for expansion to 4 million tonnes will be completed as far as the entire construction and erection work is concerned by December 1976 for commissioning by March 1977. By the end of the Fifth Plan its capacity will be further expanded to 4.75 million tonnes. The problem here is steady and uninterrupted power supply which requires strengthening of the grid. With regard to Bhilai's expansion from 2.5 million tonnes to 4 million tonnes, the delay in the manufacture of the required equipment and MECON needing further time to complete the design work might involve a 2 year delay in the expansion plan. Due to cost escalation, power problems and industrial relations, Rourkela is to stay at its present capacity and Durgapur is first required to produce upto capacity before contemplating expansion. TISCO's expansion discussed in the last issue (Vol. IV page 348) to 4.2 million tonnes at a cost of Rs. 1,600 crores is being seriously studied in light of the possibility of Rs. 500 crores being raised from its own resources and the balance from the World Bank and the Union Government. The problem with regard to all these expansion plans is the tight resources position which is slowing down the progress of the 3 Southern plants—Vishakapatnam, Vijayanager and Salem and the power, coal and railway facilities which are a prior condition for any programme of expansion to be successfully executed. The estimated fall in the retained profits of HSL by Rs. 55 crores due to cost escalation means that HSL will not be able to finance out of its resources some of the Rs. 105.58 crores projects for this year. The ministry wants Rs. 7 crores for Salem instead of the allotted Rs. 3 crores, and Rs. 5 crores each for Vijayanagar and Vishakapatinam instead of Rs. 2 crores. The approved outlay for this year is Rs. 272.15 crores, out of which Rs. 160 crores comes from the budget and the rest from internal sources. With this position, the Bhilai expansion delay to September 1978, the Bokaro delay to May/June 1975 and the TISCO review helps. The minimum required for the 3 Southern plants must be provided if valuable investment and lead time are not to be lost.

Coal: As noted earlier the disruption to coal movements by the railway strike was quickly overcome as far as coal supply to thermal plants was concerned, and the steel plants were supplied with the minimum agreed upon through the running of coal specials. In addition 50,000 tonnes of coal were moved daily by road. But the railway transport situation is going to make the achievement of the coal production target of 95 million tonnes (up from 79 million tonnes last year) difficult. If it does reach the 95 million tonnes production, the offtake by the railways will have to improve drastically to clear coal stocks from the pitheads. Apart from the railway strike, the fuel base of the economy has to shift to coal as outlieed in the last 3 issues of the Bulletin (Vol. IV pages 125, 187, 275). Soviet and Polish aid is available to increase coal production to 135 million tonnes by the end of the Fifth Plan. A Soviet team working with our technologists has prepared a large open cast coking mine at Ramgarh, with a capacity of 3.5 million tonnes of coking coal per annum with a washery attached to it. CMA is in the process of purchasing coal mining equipment both to replace outmoded mechinery and to equip new mines. For this purpose, the UK machinery has a high price tag and must be paid for in free foreign exchange, while the Soviet equipment which has to be adapted because of its largeness,

and is also cheaper can be paid for in Rupees. Further there are our own mining machinery manufactures whose capacity must be fully used. The government has rightly decided to order Rs. 170 crores of mining equipment indigenously and import Rs. 60 crores not fabricated here. There is need to standardise mining equipment. Another issue facing the government with regard to coal is the question of the price. The committee set up in January to examine the question completed its report in May and recommended that on the basis of increased costs of production and a 10 per cent return on investment, the price of non-coking coal be raised by Rs. 10 a tonne and coking coal by Rs. 12 a tonnes. This would bring an additional Rs. 100 crores to the mines if they produced 85 million tonnes, and Rs. 110 crores if the production was 95 million tonnes. This increase is necessary to make the industry pay its way and step up and modernise its production. There will be of course an inflationary effect. The thermal stations' costs will go up and the State Electricity Boards which consume 21 million tonnes of coal and which are not now breaking even will have to put up power prices. The steel plants take on 15 million tonnes and they can afford the higher price. The railways who consume 15 million tonnes have already provided for the price rise. For domestic consumers there will be no direct rise, but they will face a rise via the price of bricks, steel and power. Internationally the case for a price rise is overwhelming. In the UK a tonne of coal costs Rs. 200 and it is now proposed to increase it to Rs. 280 per tonne. In India the price is Rs. 60 per tonne and with the abundant quantity and with even a Rs. 10-12 rise in price, our coal will be highly competitive. The case for raising the price of coal in line with the committee's recommendation is clear and should be acted upon. On the energy problem, the decision of the Union government to establish a new pilot plant to convert coal into liquid fuels at the CFRI in Dhanbad is a belated but wise move. The project is low priced at Rs. 40 lakhs, contributed by CSIR (Rs 30 lakhs), IOC (Rs. 5 lakhs) and NRDC (Rs. 5 lakhs). The plant will convert slurry phase coal at the rate of 18 kilos an hour. In addition the second pilot plants to convert 1 tonne of coal into oil per day should be approved and set up. Also low temperature carbonisation plants in all major cities and towns in the Country to produce coke and domestic gas from inferior coal should be set up. EIL's blueprint for the West Bengal 1,500 tonnes a day plant for producing around 4,00,000 cubic metres of gas and 1,000 tonnes of coke per day should also be approved. Feasibility studies by the Dhanbad Institute for process fuel for Patna and a coke plant for Delhi are under way. The West Bengal government with risk capital from NRDC is setting up a plant at Bandel for producing 6,000 bricks from the thermal station fly ash. And so the vast coal resources of the country are coming slowly into play to relieve the pressure of the crude crisis.

Crude: In spite of the abnormal rise in oil prices, the Country may end up this year by importing more crude at 15.45 million tonnes than was imported last year at 13.38 million tonnes. This is due to the series of agreements that the government has signed with the oil producing countries in West Asia to import oil on deferred payment terms. During the Prime Minister's visit to Iran at the end of May, a large supply of crude over and above the quantity decided upon by Indo-Iranian Joint Commission in February (See Vol. IV pages 273-274, 348 and 349) was agreed upon to further expand the Madras Refinery to 5.5 million tonnes instead of its expansion as planned earlier

from the present 2.8 million tonnes to 3.5 million tonnes. It was also decided to expand the lube plant at the refinery, establish there a wax plant and soften the credit terms for the first 1 million additional tonnes and the second 1 million tonnes then agreed upon. Similarly crude imports from Iraq which were 1.46 lakh tonnes in 1972 and 7.9 lakh tonnes in 1973 are likely to jump to 2.8 million tonnes this year on the liberal credit terms that it has agreed. Saudi Arabia from which imports were 2.51 million tonnes in 1972 and 3.4 million tonnes in 1973 will rise to 4 6 million tonnes this year. The dangers of these increased imports on seemingly liberal terms were pointed out in the last issue, Vol. IV, page 349) and call for a fuel policy to counter these growing imports. The 15.46 tonnes imports for this year will consist of 7,675 million tonnes from Iran, 4,975 million tonnes from Saudi Arabia and 2.8 million tonnes from Iraq. The Union Ministry's estimated crude oil consumption for this year is 24.84 million tonnes. (15.45 million tonnes imports from the gulf countries, 7.6 million tonnes indigenous production and the rest hopefully from the Soviet Union). This is unsatisfactory as it represents a 20 per cent increase in crude consumption over last year when the consumption was 20.5 million tonnes, at a time when there should be a stabilisation if not a reduction of consumption. The government's reasoning for this situation is that with the constraints in coal production and transport facing the country, there is little hope of the fuel base of the economy being changed over to coal in any appreciable degree this year. In fact the only economy that has been effected to date is in petrol consumption which has been reduced by 25 per cent due to the price rise. In this regard the government is taking steps to impose statutory control on the retail selling prices of petrol and highspeed diesel in order to eliminate the unauthorised levy of service charges by the dealers. The dealers' commission is to be raised from Rs. 41.80 to Rs. 50 per kilo litre on petrol and from Rs. 17.60 to Rs. 60 per kilo litre on high speed diesel. This will give the dealers a commisson of 5 paise a litre on petrol and 4 paise a litre on HSD along with the stopping of all unauthorised charges. The cut in the consumption of petrol in the Country has been so effective that excess petrol is being exported. In addition Rs. 13 crores of Naphtha (5 lakh tonnes), bitumen (5 lakh tonnes) and lube oils (1.25 lakh tonnes) are being exported. In fact in early May, the refineries found that unless immediate shipment of naphtha was arranged their storage tanks would overflow and they would have to reduce their throughput, resulting in a cut in the production of diesel and kerosene. The Cochin refinery temporarily closed down in May because its tanks were overflowing and in addition to the daily 150 rail tank wagons, it needed a ship to convey its petroleum products. It exported 18,000 tonnes of naphtha to Japan in May. In fact these two essential items, kerosene and HSD are in short supply and the 25 per cent cut in the allocation of kerosene to the States (See Vol. IV page 274) may continue till July. Kerosene use has been restricted to lighting and cooking only. The export of the other petroleum products has been arranged from the West Coast refinery. The value added by refining crude is so large that this kind of export is a profitable undertaking and avaluable foreign exchange earner. However the escalating cost of fertilisers cancels out this advantage. It is better that we use the naphtha to make our fertiliser units produce upto capacity. A national corporation is being formed for the reclamation of used lubricants to save on use of petroleum products. Of our annual consumption of 6,00,000

tonnes of lubricants, 40 per cent is used on lubricating various types of engines and is burnt as fuels. The corporation will collect used lubricants and reclaim them. In this connection a national conference on industrial tribology co-sponsored by IIT, Guindy, is to be held in Madras in December to promote an depth study of various aspects of promotion of oil saving, oil reclamation, production of synthetic lubricants, activation designs and use of bearings and lubricants in machines and plants. This would be an effective means of promoting economy in the use of petroleum products. Meanwhile the indigenous production is being stepped up as suggested in the last issue (Vol. IV, page 350). In March crude production was 6.19 lakh tonnes compared to 5.87 lakh tonnes in March 1973. ONGC increased its production from Assam and Gujarat from 3.10 lakh tonnes in March 1973 to 3.52 lakh tonnes this March, Oil India 2.62 lakh tonnes and Assam oil company 6,055 lakh tonnes. It has launched "operation quick oil" to increase daily Assam oil production from 1,200 tonnes to 2,100 tonnes in 1975 and 3,000 tonnes in 1976. In March, the 9 refineries in the country processed 1.76 million tonnes of crude and when the Haldia refinery with its capacity of 2.5 million tonnes is commissioned in June/July, the six million tonnes Mathura refinery completed in 1976 and the 1 million tonne refinery at Bengalgaon, the Country's refining capacity will be 33.5 million tonnes per annum. If the fuel policy of the Country is to stabilise crude consumption around 24 million tonnes (see last issue Vol. IV, page 348), the balance can be exported. With regard to new exploration, Barmura in Tripura is turning out to be the largest oil zone in the North East. It has a huge stock of gas which can be used both for domestic purposes and industrial development in Tripura, and also a large oil reserve. The gas and oil in one well at Barmura is of the volume and value of 3 wells in Bombay High. Also as urged in Vol. IV, page 125 & page 350) of the Bulletin, the government signed in May contracts with 2 US firms for offshore exploration. Carlsberg Petroleum Corporation will do offshore oil exploration in the Bengal basin and Reading and Bates in the Kutch basin. The contracts which run from 24 to 27 years are of the production sharing pattern, with a limitation on profits. In each case the companies will be given the entire 28,000 sq.km. of the basin for seismic surveys and within 24 months will select an area of 5,000 sq. kilometres for explorations, by the end of the third year reduce their operation to 2,500 sq. kilometres and from the seventh year operate only within the producing area. A joint committee of management of ONGC and the company will supervise the operation and approve the annual work programme and budget. The cost of exploration and development will be recovered up to a maximum of 40 per cent of the production and sharing of the profit on oil will be in the ratio of 65 to the ONGC and 35 to the company, moving up to 80 to the ONGC when at full production. Also the ONGC will acquire on payment of fair market value all the cast oil and all the oil for consumption in India so long as the country is not self sufficient in oil. The two companies will start work by August 1, with Reading and Bates seismic ship starting work in September, the rigs in March 1975 and drilling the following month. The government is also pursuing its negotiations with other companies such as the Italian EMT which have put in their indent for off shore exploration in other locations. A few foreign companies consider the Cauvery basin a promising area (see Vol. IV, page 125). ONGC after some on land investigation in the Cauvery gave up, but foreign companies wish to under-

take offshore Cauvery exploration. It is important that these negotiations should be speedily concluded and small procedural or prestige issues should not hold up conclusion of an agreement to exploit the oil potential of the Cauvery basin. The government is also looking for a fixed platform to extract oil from Bombay High's first well and transfer it to tankers for processing at the refineries. With this platform, 1 million tonnes of crude, which will save $70 million can be processed. The Mazgaon Dock is constructing off shore drilling and production platforms. The Dock has the potential and skill to construct the drilling platform and, in collaboration with a US firm, it is planned to have a platform ready in 1977 when Bombay High will be in full commercial production. Further the government proposes to impose a cess on both crude oil and petroleum products which would yield Rs. 40 crores a year to be used for development of oil exploration, production, refining, petro-chemicals and fertilizer production based on petroleum feed stocks. The emphasis in May was mainly on increasing our crude supply. But the long term policy should also involve intensive action to cut back on crude consumption and switch over to coal and other forms of energy.

Electrical Engineering Machinery: The electrical engineering machinery sector has been slowing down. The growth rate of fixed investment which was 8 per cent in 1971-72 declined to 4 per cent in 1972-73 in the main due to the continuance of idle capacity. The inventories position increased almost in proportion to the increase in its turnover. But the increase in inventories at Rs. 11 crores or 23 per cent represents an element of overstocking. This together with their lower earnings increased their bank borrowing. Last year's record of the sector is likely to be even more depressing, because of the effects of power shortage and the disrupted transport services.

Caustic Soda: Another industry which has been severely affected by the railway strike is the caustic soda industry. The total suspension by the railways of salt movement meant that the industry, which depends on 100 wagons of salt moving from the coastal to the interior areas per day, had to halt production in May. With 65,000 tonnes of new capacity going on stream, the expanded Andhra Sugars, Hukumchand, Mettur Chemicals and Kanorias expected to produce 4.25 lakh tonnes this year, compared to 4.10 lakh tonnes last year, despite the severe power cuts that some of them like Mettur Chemicals faced (60 per cent). For the future the problem is the widening gap between production and demand, which means that the industry must be given the facilities for new units to come up.

Railways: Despite the current trouble and problems, the Railway Board is developing a 15 year plan to meet future railway traffic requirements covering the period 1974-75 to 1988-89. The plan is based on an assessment of future traffic demand and works out the physical aspects and investments that it will call for. The oil crisis is taken into account, leading to changes in programmes to reduce the use of oil. The plan provides for captive power plants to feed its electrification programme as well as feeding into the State grid any excess capacity. New forms of transport such as hovercraft, elevated transport as well as use of waste land for agriculture and buildings are also in the plan. The technical expertise built up over the past years in structure, rolling stock etc. is to be used in a technical con-

sultancy service. Further marshalling yards are to be rationalised to meet projected long distance marshalling facilities based on traffic flows, while involving also closing yards which are outdated. The plan has to be translated into zonal and regional programmes and broken down into medinm term and annual plans.

Small Scale Units: The Government expects the small scale industries census (See Vol, III page 507) to be completed by October. On the basis of the census results, the genuine manufacturers will be identified and those that exist on paper will be eliminated. This will also ensure that the real small scale units receive their supply of raw materials and the Government is able to attend to their needs for credit, tax relief and transport. At present this important area is being cluttered up by a number of paper organisations who misuse the limited raw materials and other facilities available for the small scale sector.

Paper: The paper shortage referred to in Vol. IV page 192 has continued and worsened The paper manufacturers have not followed the 1968-69 production pattern as agreed upon at the Development Council for Paper and Allied Industries. The agreement to produce 2 lakh tonnes of white printing paper available at Rs. 2,750 per tonne has not been honoured by the industry. It is not that aggregate production has declined. Despite several constraints including coal shortage, wagons and power, the 1973 production has been maintained at the 1972 level when there were no such constraints. The additional approved capacity in the paper industry as at May 1974 was 17.6 lakh tonnes, and of the 1.2 lakh tonnes in 8 schemes to be completed this year and next, an additional production of at least 30,000 tonnes should be ready this year. The units have changed their production pattern, renamed their end products and are selling them at exhorbitant prices. The result is that during the last 2 years text book publishers and general publishers have not been able to meet market requirements fully. To meet this situation the Government should establish the few varieties of printing and writing paper which should be produced, ensure increased, production of white printing paper to the extent of at least 2 lakh tonnes, oblige the producers to make available 30,000 tonnes of white printing paper for nationalised text books and college and university text books and 8,000 tonnes for exercise books. Statutory powers will now have to be resorted to ensure that 8.5 lakh tonnes of paper and paper board are produced this year and the black marketing in paper ended.

Vanaspati: Throughout May there have been reports that in view of the very tight Vanaspati and edible oil position, the Union Government would remove controls on Vanaspati. The Government as at the end of May, however rejected the proposal of the Ministry of Agriculture to decontrol Vanaspati because it may not lead to increased production and may raise the prices by more than Rs. 3 per kg. In addition the import of vegetable oil now forming 35 to 40 per cent of the total needs is being suspended because of the high international price, increased freight costs and lack of foreign exchange. Soyabean oil whose landed cost was Rs. 2,800 a tonne is now Rs. 6,200. Hence Vanaspati products will have to rely entirely on internal oil seeds, like sunflower oil now totalling 1,20,000 tonnes. Also the banning of exports of groundnuts and groundnut oil can help. There are actions the Government should take to help increased production of Vanaspati. First there should be a raising of the price

The producers have asked for a rise from Rs. 2.5 to Rs. 3 per kilo on June 1, as otherwise the industry will suffer serious losses leading to closure of some firms. There is a case for increasing the price from the current Rs. 8 to Rs. 10 per kg. Second foreign exchange can be earned from export of oil cakes and some edible oil and with it vegetable oils can be imported in order to ensure that the industry's 19 lakh tonnes capacity is fully used. At present only 10 lakh tonnes of Vanaspati is being produced. Hence the serious scarcity.

Fertiliser: Both fertiliser production and consumption for the current year are lagging and the gap between the two widening as noted in the last issue (Vol. IV, page 354). The production of fertilisers for 1974-75 is estimated at 20 lakh tonnes against the targetted consumption of 41 lakh tonnes. Thus the gap between production and consumption which has 7 lakh tonnes in 1972-73, 16 lakh tonnes in 1973-74, now becomes over 20 lakh tonnes for 1974-75. The possibility of importing fertilisers to fill the gap is rather dim, given their rising prices and drain on our foreign exchange resources. The first action to be taken is to ensure capacity utilisation of our plants which is the lowest in the industrial sector. Now that naphtha non-availabilities and the teething troubles are over, fuller capacity use should be possible increasing from the current 50-60 per cent to 90-100 per cent, meeting at least in part the demand for this year. Further there are II projects of FCI now under execution which when completed will add a capacity of 15 lakh tonnes of nitrogen and 2.43 lakh tonnes of phosphate. The coal based fertiliser units at Ramagundam and Talcher will be completed by July 1975 and begin production in January 1976 and that at Korba, also coal based will be ready by July 1977. Haldia, the Nangal expansion and Sindri modernisation are fully oil based and should also go on stream in 1976. The strategy on fertiliser production should be a double one—to produce up to capacity and use to the maximum the coal fuel base. There is also need to streamline and rationalise the distribution pattern so that allocations and use in different regions and States are idential.

Agricultural Production: Further to the suspension of wholesale takeover of wheat reported in the last issue of the Bulletin (Vol. IV page 341) the first reports in early May were that the new policy had not led to arrivals of stocks in the main markets in Punjab, Haryana, U.P., Rajasthan, Bihar and M.P. In Punjab and Haryana the big farmers did not bring their wheat to the markets, as the wholesalers advanced large sums to them, promising a higher price than Rs. 105 per quintal, assuring the traders of supplies when needed and also converting unaccounted money into accounted money, and obtaining receipts for higher prices than were actually paid. The procurement in these two States was 30-40 per cent of last year's. In 446 U.P. mandis the arrivals had not improved and procurement had slowed down to one sixth of last year's level. After an initial decline, wheat prices rose in all the surplus States. The movement of wheat on private account to deficit States was also very meagre. The Governments of surplus States have not encouraged inter State movements for fear that their supplies will decrease. U.P. for instance by mid May had not yet lifted the ban on inter-State movement of coarse grains, which as reported in the last issue Vol. IV page 278 and page 342 went into effect in other States. The inflow of wheat to deficit States was thus at a low level. As of mid May, only 3,500 tonnes were supplied

from surplus to deficit States, by way of permits issued for export wheat, only by Punjab and Haryana, with nothing from U.P., M.P. and Rajasthan. Under these circumstances it is not surprising that there is a suspicion that the Union government's buffer stock has been pretty well exhausted and that it will not be able to sustain the public distribution system. Towards the end of May, meetings of Chief Ministers were held at which assurances were given that the surplus rabi states would contribute their share to the central pool. Punjab has promised to contribute 2.5 million tonnes to the buffer stock and all States agreed to take steps to increase the arrivals of stocks in the markets, increase procurement and keep prices down. In this connection U.P. has taken the drastic step of requiring all producers holding more than 20 quintals of wheat to declare their stocks by June 5, allowing them to dispose of their stocks by May 31, after which they will be seized and sold at the procurement price of Rs. 105 per quintal. A Committee of food ministers of Punjab, Haryana, U.P. and M P. has been formed to meet regularly with the Union Minister and keep the procurement operation under review. The Union minister of Agriculture at the end of May announced a ceiling price of Rs. 150 per quintal on the sale of non-levy wheat by licensed wholesalers, which included the price paid to the farmer, cost of transport, sales tax, purchase tax and profit. It was not clear if this was a maximum price, which would vary according to conditions in the States or whether there was a uniform price. Thus the procurement price of Rs. 105 has become the support price. Meanwhile the wholesalers had been selling their stocks at Rs. 155 to Rs. 255 in Delhi, Rs. 175 to Rs. 200 in Maharashtra, Rs. 130 to Rs. 185 in Madhya Pradesh, Rs. 120 to Rs. 180 in Rajasthan, and Rs. 115 to Rs. 175 in Uttar Pradesh, according to the reports reaching the control room of the Food Ministry on May 24. In light of this the feasibility of the officially established dual price for wheat—Rs. 105 per quintal for levy and Rs. 150 per quintal for non-levy—can be examined in the next issue. The realisation of the procurement targets is being hampered in the case of wheat by large scale smuggling, and collusion between big farmers and traders, leading to holding back of stocks. Apart from the U.P. line, the Union ministry has urged a more active purchase programme by State agencies and co-operatives. The effectiveness of the new policy will depend on (a) the procured stock, (b) the quantum of levy wheat contributed to the central pool for distribution to the poor and (c) the price at which the non-levy wheat is sold in the deficit states. In the case of rice, the non-achievement of the procurement target is traced to millers claiming process paddy belonging to others, while in effect they are the source of much leakage which needs to be plugged. In order to promote higher food production, the meeting of Chief Ministers agreed on means of increasing power, credit, fertilisers and irrigation facilities. For the Fifth plan, the increased 27 million tonnes target comprises an increased 10 million tonnes rice, 8 million tonnes wheat, 5.5 million tonnes coarse grains and 2.5 million tonnes pulses. To attain these targets, States have been divided into 3 groups. The first group—Punjab, Haryana, Andhra Pradesh and Tamil Nadu have adequate irrigation facilities and a good co-operative structure and are expected to contribute 8.5 million tonnes out of the 27 million tonnes. The second group, U.P., M.P., West Bengal, Bihar, Orissa and Assam have irrigation and ground water potential and were expected to contribute 16 million tonnes. The third group, Maharashtra, Gujarat, Karnataka, Kerala, Rajasthan, Himachal Pradesh and Jammu and Kashmir have poor irrigation and are expected to contribute only 2½ million

tonnes of the additional production. For 1973-74 the government estimate is 67 million tonnes of foodgrains for Kharif, with a target for rabi of 48 million tonnes —which will not be attained. Further to meet problems of failure of monsoons, ICAR has circulated a new set of crop production strategies to the States for their different agro-climatic regions. The recommendations for each area will help it to meet the various weather situations in 1974-75 and include (a) better moisture conservation and use, (b) new cropping patterns, and (c) crop life saving techniques and mid season corrections in crop planning if the monsoon fails. The strategies are detailed with regard to the main 21 rainfed farming regions of the Country. In the meanwhile the Union government announced at the end of May that it was importing 3 million tonnes of wheat which, together with the 8 lakh tonnes from last year's purchases just arriving, will help it maintain the distribution system and check further rise in prices. On the credit front, studies in U.P. show that the credit needs of the medium farmers are the largest, as the small farmer relies on family labour and farm manure and the large farmer relies on his own resources. The credit for farms between 10 and 30 acres averaged Rs. 134 per acre, while below 10 acres it was Rs. 128 per acre and above 30 acres Rs. 76 per acre. Hence if adequate credit is made available, the net income of the farmers can be increased. by 106 per cent in the case of large farmers, 55 per cent in the case of small farmers and only 30 per cent in the case of medium ones. Further incomes increase by 71 per cent in irrigated lands receiving credit and by 45 per cent in unirrigated lands. The moral of the study is that social and economic criteria point to the need for a free flow of credit to the small farmer. The meeting in May of the animal husbandry conference of State governments decided to extend the scope of special projects from the current 89 to 160 districts, providing cheap credit to small and marginal farmers in these districts. In the May session of the Lok Sabha the land reform laws of Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Kerala, M. P., Karnataka, Punjab, Rajasthan and West Bengal were given constitutional protection by the Constitution (34th Amendment) Bill which was passed. The ceiling laws in these States were in conformity with the Central guidelines discussed in Vol. II No. 6 pages 8-9 of the Bulletin and have now been placed beyond all uncertainty and doubt. Cotton sowing was in full swing in May. It is officially estimated that in 1974-75, 60 lakh bales will be produced. Cotton growing is well underway in Punjab, Haryana and Rajasthan, the import substitute of extra long staple, Sujata, is being grown in Coimbatore and the medium staple varieties are being stepped up. ICDP is operating in 14 districts of 9 States covering an area of 7.2 lakh hectares. While the irrigated cotton area is not being expanded, the rainfed area in M. P., Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu is being doubled. This is important because only 14 lakh hectares out of 80 lakh hectares (18 per cent) is under irrigated cotton. Seed improvement programmes are also being pursued. The quality wise demand during the Fifth Plan which this programme must meet is 8 lakh bales long staple, 18 lakh bales superior medium, 35 lakh bales medium and 16 lakh bales short staple. The government also reports a serious shortfall in its milk production programme. On the basis of a promised gift of 1.26 lakh tonnes of skimmed milk and 0.42 lakh tonnes of butter oil from the World Food Programme the government launched Operation Flood to generate production of 2.75 million litres of milk per day by 1973-74.

However between 1970 and 1973 the government received only 28,550 tonnes of skimmed milk and 8,450 tonnes of butter oil so that instead of Rs. 95 crores being generated to expand and build the dairy industry, only Rs. 17.8 crores were available. The 4 metropolitan dairy schemes have therefore been seriously delayed and may take another 3 years to attain their target. In the animal husbandry sector, the Union government is sponsoring a project in Punjab to improve the reproductive activities of buffaloes using radio isotopes and is deploying on an extensive basis the artificial insemination technique and the development of fodder and pasture resources and is helping the State governments to ensure higher production of milk and poultry products, and sheep and pig breeding.

Exports : The Country's export performance during the Fourth Plan, taken by itself, has been good. In 1968-69 it was Rs. 1,360 crores and in 1973-74 was Rs. 2,352 crores, a 72 per cent increase. In the first year of the Plan the export growth was 3 per cent, the second year 9 per cent, the third year 4.5 per cent, the fourth year 22 per cent and the last year 20 per cent. The factors which helped in pushing up export growth in the last 2 years of the Fourth Plan were the emergence of Bangla Desh as a new market for India, the export agreements with the Soviet Union and East European countries and the sellers market for all exports which developed in the last 2 years of the Plan. Against the World record of exports, however, the Indian achievement was modest. For one thing while India's share of world exports was 1.2 per cent in 1963, it was only 0.6 per cent in 1973. While world exports in 1973 totalled $5,70,000 million, having doubled in the last four years, India's exports increased only by 45 per cent. In the 10 years 1963-73 world exports rose by 275 per cent, Indian exports rose only by 81 per cent. Even taking the developing countries which more than doubled their exports from $38,100 million in 1963 to $1,00,000 million in 1973, India's export performances registered only an 81 per cent growth, as noted earlier. As usual the developed countries were major gainers, increasing their share of World exports from 70 per cent in 1963 to 75 per cent in 1973. Against this background India's export target for this year of Rs. 2,300 crores is too low (it is even lower than last year's actual of Rs. 2,352 crores referred to earlier), and should be raised to something nearer Rs. 2,700 crores, if in addition to other items, there is a real effort to export Basmati rice, sugar and cement, particularly to the gulf countries where an increase of 50 per cent is being planned. Of course there are constraints to be overcome and the railway strike will have long term effects. The 20 day strike has held up the transport of export items such as textiles, iron ore, engineering goods, sugar, leather goods and other items. Even without the strike, there has been the non-availability of wagons for transporting these export items and now with the heavy backlog caused by the strike, some months may be needed to get back to normal. Further, shipping space is always difficult to obtain and now the ports will be congested and cluttered up. In this context the non-readiness of export jute goods at the Calcutta port at the end of May was inexcusable. The firms were not meeting their existing commitments but were ready to meet new contracts which embodied higher current prices. Here shipping lines were losing, shipping space going waste and exports declining. A joint study group of mill owners and shippers was set up to examine ways and means of speeding loading and

turn around of ships. To help increase exports, the Union government has introduced a scheme to be operated by RBI for long term foreign exchange cover against fluctuations in the par value of 4 international currencies most in demand by Indian exporters—Pound Sterling, U.S. Dollar, Deutsch Mark and Japanese Yen. The scheme will lower risk of losses resulting from adverse fluctuations in exchange rates, where instalments are payable over a period of 18 months to 10 years. The cover which can be obtained within 3 months from the date of export contract calls for rates ranging from 1.25 paise per Rs. 100 for 18 months to 2.50 paise per Rs. 100 for 10 years. The scheme became necessary when the banks and IDBI switched from the supplier's credit basis to the buyer's credit scheme. The scheme will be of particular help to our engineering goods export which needs a boost. The export target for engineering goods for last year was reduced downwards 3 times—from Rs. 250 crores to Rs. 200 crores and finally to Rs. 183 crores. Even so, the actual achievement was Rs. 175 crores. For this year 1974-75 a target of Rs. 240 crores has been fixed and by the end of the Fifth Plan it is to reach Rs 500 crores. These are not unrealistic targets, given the fact that our engineering goods industry production has increased over 25 times in the last 20 years from Rs. 100 crores to Rs. 2,700 crores today, accounting in the organised sector for 35.5 per cent of productive capital, 30 per cent of employment, 28 per cent of all factories and for 34 per cent of the value added by our manufactures. The attainment of the target this year and for the Fifth Plan depends on: (a) the industry's inputs—steel, non-ferrous metals, essential equipment, spare parts and components—being made available in time and in the right quantity and quality. This is a major responsibility of STC, Hindustan Steel, and MMTC. (b) the industrial licensing policy being administered with reason and speed and with delays eliminated: (c) additional capacities for generating export surpluses being continuously created, together with approval of product differentiation or expansion as the export market demands it; (d) finance for export on easy terms to cover the length of credit which competitors are offering. It is clear here that commercial banks cannot meet this essential need and an Export Bank should be set up: (e) Power shortages being met by giving priority to export oriented industries and encouraging them to set up captive power plants: (f) labour relations being improved so that contracts are met on time: and (g) railway and shipping services being provided more adequately. The engineering goods industry has built up high technical competence to keep on diversifying its exports which today include industrial plant and machinery, transport equipment, power station equipment, heavy structural fabricator and electronic components. As a result Indian technologists are providing consultancy services and operating turnkey projects. With all this, it should be noted that India's share of world engineering exports are a mere one fifth of one per cent, at a time when there is an explosive demand for engineering goods by the developing countries for their industrialisation programmes and by the industrialised countries who want our labour intensive engineering goods in increasing volume and value. The commercial and economic co-operation agreements between Senegal and India signed during the President of Senegal's visit to India opens up new areas of trade in engineering goods, textiles and other items with this important French speaking African Country. The export returns for 1973-74 show a record export of spices of 57,149 tonnes valued at Rs. 52.47 crores which was a 26.2 per cent rise in volume and an 80.6 per cent increase in value compared

to 1972-73. BEL reports receiving a Rs. 17 crores export order for radars from Switzerland to be supplied in 3 years starting in 1976. The first meeting of the joint EEC-India Commission (See Vol. IV page 131) was held at the end of May at which India's plans for reducing its trade deficit with the EEC countries and its Fifth Plan aim to increase trade in that region to attain balance of payments parity were discussed. The discussions centred also on switching Indian exports from semi-finished to finished leather goods, machine tools and goods and agricultural products. Concretely the 1974-75 exports to EEC will need to go beyond tea, coffee, jute and textiles to include these items to improve sectoral trade. In the case of jute there is need for France, Germany, and U.K. to remove their quantitative restrictions and for zero duty. Similarly for cotton textiles there is need to abolish quotas or for these to be enhanced. There is also need for tariff adjustments and the application of GSP to these and other items of exports from India to the EEC countries. The joint commission's decisions at the end of the 2 day meeting were: (a) Tariff adjustments on certain Indian export items such as leather, fruits and cashew nuts: (b) the setting up of two specialised sub-commissions. The first sub-commission would deal with the sectoral agreements on jute, coir, cotton textiles and cottage industry goods. The second sub-commission will deal with sufficient utilisation of GSP, liberalisation measures for Indian export products, technical assistance and trade promotion, joint research and economic co-operation to encourage promotion and diversification of India-EEC trade: (c) Indian suggestions for improvement of different sectoral agreements were referred to the competent authorities: and (d) co-operation in research and product development for jute and coir products to be acted upon. The next meeting of the joint commission will be held in November in New Delhi.

Aid: India's foreign exchange position is steadily worsening largely as a consequence of the rise in the price of the crude oil and foodgrains it has had to import. As forecast in the last issue of the Bulletin, (Vol. IV, page 359), India has resorted thrice to draw down IMF credits. As at April 26, the Country's foreign exchange reserves excluding gold holdings were Rs. 576 crores. In February a credit of Rs. 62 crores ($75 million) was obtained and drawn as compensatory financing to meet the shortfall in export earnings. In April Rs. 73 crores ($91.5 million) equivalent to the Country's gold tranch was drawn. In May the third credit of Rs. 226 crores ($282 million or 235 million SDRs), representing 25 per cent of India's quota with the Fund was obtained. This is the last automatic credit that India can obtain from IMF. Any further loan will be on the basis of conditions that the Fund can lay down. The May 2 Indo-Iranian agreement provided for Rs. 750 crores ($1,000 million) Iranian investment in India for a large number of projects over the Fifth Plan period including a joint shipping line, trebling the capacity of the Kudremukh Iron ore project to 7.5 million tonnes per year, the setting up of a 3,00,000 tonnes alumina plant, increasing the capacity of Indian cement, sugar, steel products, chemicals, paper, newsprint and the Madras refinery for meeting the requirements of the 2 countries. Towards the end of May, India signed a contract with Japan for the supply of 1,50,000 tonnes of urea (which is 25 per cent less than the 1973 supply because of the production shortage following from the oil crisis). Also the Netherlands signed an agreement in early May granting a loan of Rs. 26 crores (82 million guilders) at 2½ per cent interest, a grace

period of 8 years, with repayment over 30 years. Also in May the ninth IDA loan of $150 million was concluded (re-payable in 50 years, grace period 10 years, and 1 per cent service charge) to pay for foreign exchange costs and import of raw materials, components and spares for 800 industries producing agricultural tractors, power tillers, commercial vehicles, auto-motive ancillaries, electrical products, transformers, heavy construction equip-ment, fertilisers and pesticides. With this ninth loan, the total IDA assis-tance to India amounts to $ 930 million Discussions are underway with IDA for a further $ 228 million credit for Trombay fertiliser ($ 50 million) Rajasthan Canal Command area ($ 80 million) and minor irrigation and marketing in West Bengal ($ 20 million). At the Aid India Consor-tium which meets in mid June in Paris to consider the World Bank report on India's foreign exchange needs during the Fifth Plan (See last issue Vol. IV, pages 358-359), the government will face questioning and discussion about the Country's nuclear explosion in May and its relation to the development programme and aid needs. One member of the Consortium, Canada, has suspended its aid to India as a result of the nuclear blast, Japan has protested the explosion and raised questions about the need for aid from Japan to India, in West Germany the opposition has asked that aid to India be suspended and the United States has stated that it is review-ing its aid intention to India. (In its fiscal 1975 budget, it has provided $ 75 million as aid to India). India will have to explain to its partners that the explosion was a part of its not very expensive nuclear pro-gramme and that it is meant for develop-mental purposes. With the entry into the nuclear club, India's aid position is weakened and the early realisation of her objective of self reliance becomes more important than ever.

International:

Bangla Desh: During the visit of the Prime Minister of Bangla Desh to India in mid May, agreements were signed for economic and technical co-operation in jute, joint ventures in cement, clinker, fertiliser and a sponge iron plant. Joint Commissions of ministers have been set up to promote closer co-operation in trade, the technical development, manufacture and promotion of jute and to check border smuggling. Exports are to be stepped up under the balanced trade and payments arrangements. A cement plant is to be set up at Chatak with limestone from Meghalaya, a clinker plant in Meghalaya, a fertiliser plant and a sponge iron plant in Bangla Desh based on Indian iron ore. On the Farakka barrage project, which will be commissioned by the end of the year, the joint rivers commission is to recommend mutually acceptable allocation of water during the minimum flow periods. India has made available Rs. 69 crores as a credit to Bangla Desh, Rs. 48 crores in credit from IDBI and Rs. 21 crores from the government of India to Bangla Desh. The IDBI credit comprises Rs. 25 crores to three Bangla Desh financial institutions to finance imports, Rs. 10 crores for capital equip-ment imports and Rs. 13 crores as export credit. The government credit is Rs. 5 crores for the Chatak Cement plant, Rs. 6 crores for supply of textile machinery and Rs. 10 crores for import of engi-neering products and other commodities by Bangla Desh. A MECON technical delegation visited Bangla Desh at the end of the month to prepare a feasibility report for the sponge iron plant cum steel complex with an annual capacity of 5 lakh tonnes. An interim report on site selection, analysis and testing of raw materials is to be submitted in August and the final report in December. The Tamil Nadu Handloom Weavers' Co-

operative Society, on the basis of the satisfactory Rs. 13.65 lakhs lunghies supply a further Rs. 10 crores lunghies at the rate of Rs. 2 crores per month. This is against the Rs. 15 crores commercial credit granted by the Union government to Bangla Desh.

World Monetary Reform: May Witnessed four events in the International monetary scene. In mid May the United States dollar weakened, as did the pound sterling. At the same time the Austrian government which had kept its schilling floating with the West European Countries upto a limit of 2.25 per cent, broke away from the joint float and revalued its currency by 3 per cent, allowing it a wider floating margin. This meant that the Austrian schilling would move upto 4.5 per cent either way against the value of European currencies in the Joint float. In effect therefore U.K., Ireland, Italy, France and now Austria have broken from the joint float. Third at the end of May gold fell to its lowest level since February to $ 157 an ounce. Against this background, the deputies of the Committee of 20 met in Paris in early May and as forecast in the last issue (Vol. IV page 360) confined their agreement to present a limited set of decisions to the ministers' meeting in the Committee of 20 in Washington on June 12 and 13. The May meeting agreed upon a limited scheme consisting of: (a) technical features of valuation of SDRs based on a basket of currencies and its interest which are being considered by the Executive Board of the Fund and will be presented to the June meeting. Once the valuation and interest rate of SDRs are established, further valuation would take place on a continuous basis linked to the change in the market rate of currencies, the interest rate also being varied in accordance with market conditions: (b) guidelines for floating of exchange rates which will continue now for some time in view of the unsettled monetary and trade conditions. In fact the structural changes which the oil crisis and general world inflation is bringing about may involve a prolonged period of floating currencies, so that the guidelines of rules are designed to provide in effect for a continuing series of mini-devaluations and revaluations which is what floating currencies in effect are. Of the four guidelines, two, probably three, command general consent. They are first, that governments may intervene on a day to day basis to smoothen out short term fluctuations. Second, over longer periods they should intervene against market pressure learning into the wind. Third, government's intervention should be guided by the state of a Country's reserves. Fourth, they should set themselves a floor if not a theoretical target rate, for upward or downward rate fluctuations. The last two guidelines are still under debate, as they incorporate the principle of target indicators to govern balance of payment adjustments, and the principle of other members of IMF being able to challenge a country which does not follow these guidelines. These two rules which are urged by the US are opposed by European countries as pointed out in Vol. III page 711 and Vol. IV last issue, page 360. As for the European proposal that the Central banks should be able to buy and sell gold at a market related price both among themselves (See last issue, Vol. IV page 360) and in the open market, the U.S. is firmly opposed to it. Finally the May meeting of deputies decided to propose to the finance ministers meeting in June that a step by step reform lasting over several years should replace the original proposal for a single comprehensive reform package. It seems wise that the Committee of 20 set up in September 1972 (See Vol. II No. 2 page 19) will after its

June meeting having completed its work as far as it can, should be dissolved. It was set up when world trade, price and monetary conditions were completely different from today. The Committee's terms of reference were sound at that time but have resulted in groping and floundering in today's conditions. The Annual IMF Conference this year can approve the limited proposals of the Committee of 20. They are harmless but touch neither on monetary reform nor on the link of SDRs to development assistance. When IMF articles are amended, the new Council of Governors will have decision making powers to manage and adopt the monetary system and oversee its implementation. The Conference must however make up its mind on whether the regime of fixed exchanges not like the Gold Standard a thing of the past, and whether the World Monetary system must not be based on a system of moving flexible changes. To make up its mind on this basic issue it could set up an advisory committee to help it make a decision next year in 1975.

World Aid following U.N. Conference: Following the Special U.N. session in April (See last issue Vol. IV page 362), the Secretary General has invited developed countries and OPEC countries to contribute to "an vmergency operation" under U.N. auspices to provide a one year relief to some 30 developing countries facing acute economic distress. This programme is to be launched by June 15. Second, a Special Fund under the U.N. is also being launched to help the same countries with long term development assistance till the end of the current development decade. Also the oil producing countries of West Asia and North Africa have agreed to provide IMF with $2,600 millions to help other countries cope with their balance of payments problems. Saudi Arabia has contributed $ 1,100 millions, Iran $ 700 millions and others $ 800 millions. The U.S. senate approval of the U.S. contribution to IDA of $ 375 million per annum for 4 years gives hope that the IDA's fourth replenishment of $ 4.5 billions may become a reality.

World Food: FAO pleads for the establishment of a World food policy which will be one of the major functions of the U.N. Food Conference in Rome in November this year (See Vol. IV pages 29 and 135). Such a policy will cover effective arrangements to meet emergency food situations, mutually agreed stock holding policies, measures for price stabilisation and systematised long term food aid policies. The most important element in world food policy over the long run is to increase agricultural production in developing countries so that India and China can feed themselves and not rely on surplus U.S. and Canadian wheat production. At present the world food situation is so precarious that if there were not a good harvest this year world food stocks could be cut to 3 weeks supply in 3 months. While rice prospects are precarious, wheat prospects seem to be good. The Commonealth Secretariat estimates that inspite of the record 310 million tonne rice harvest in 1973-74, there is danger of demand outrunning supply unless the 1974-75 harvest also is good. For the developing countries and Asia, the bottleneck is fertilisers and their high cost. U.S. is planning to increase rice acreage by 13 per cent, South Korea by 5.9 per cent, Soviet Union by 18 per cent, with West Asia continuing as an importer of rice to the tune of 1 million tonnes. The International Wheat Council estimates that the world wheat carryover stocks at the end of 1974-75 could rise by 50 per cent in the five major exporting countries—U.S., Canada, Australia, Argentina and ECM—at around 30 million metric tonnes.

The bulk of increased stocks will emanate from the U.S. whose winter and spring prospects are very good as are those of the Soviet Union. Canada faces a serious reduction because of floods and India is a question mark as noted earlier.

World Paper and Newsprint: The EEC report on the severe shortage of paper and pulp in the European Community forecasts a world shortage in the 80's. (In India as noted earlier the shortage is being experienced here and now). It refers to the weakness of its production compared to those of North America and Scandinavia, including shortage of home produced materials, inefficient use, small or obsolete unit capacitors on top of which anti-pollution measures have added to their problems. The real problem for the future is the shortage of usable raw materials for the industry. Only 40 per cent is home based and more than half of that recycled fibre which is now scarce. The need for home grown timber and increased investment to meet this shortage in the future is urged. Newsprint prices are rising fast because newsprint producers are auctioning their supplies to the highest bidder. In the U.S, newsprint has gone up from $ 175 per tonne last year to $ 213 per tonne this year. The U.S. is the biggest newsprint consumer—11 million tonnes per year, followed by Japan 2.4 million tonnes. In Europe producers are charging $ 300 a tonne, in South America $ 350 a tonne and West Asia and India $ 500 a tonne. Canadian and Scandinavian producers charge $ 700 a tonne and the black market $ 800 a tonnes. The effect has been a rise in price of newspapers in all countries, while in India a further 10 per cent cut in newsprint has been imposed. It is estimated that this year the supply will be 26.7 million tonnes and demand 26.8 million tonnes. In this situation, the Indian problem is one of placing orders in time internationally and gearing up national production.

World Steel: Unlike India's current performance, World Steel production increased in April by 1.2 per cent to 39.8 million tonnes against 39.4 million tonnes compared to April 1973. The first four months of this year showed an even higher (2.5 per cent) increase from 155.8 million tonnes in the first four months of 1973 to 159.8 million tonnes. The highest increases were registered by ECM countries (9.2 per cent) and Japan (1.3 per cent) with declines in U.K, (10.7 per cent) and U.S. (2.7 per cent). India belongs to this second group.

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II Agricultural Development

Paddy and foodgrains:

The procurement and marketing of the paddy crop continues with little impact from the railway strike. As the Samba and Thaladi season ends, FCI procurement at the end of May amounted to 80,000 tonnes, which was one third above last year's Samba and Thaladi

procurement of 60,000 tonnes. In Thanjavur district alone paddy purchases amounted to 75,000 tonnes compared to last year's (Samba season) 55,000 tonnes, with South Arcot purchases amounting to a further 10,000 tonnes. The major part of Samba purchases were levy procurement. FCI is making available to the Tamil Nadu Civil Supplies Corporation 13,000 tonnes of rice every month for the next 4 months out of levy stocks. In addition to 40,000 tonnes supplied to Kerala, a further 10,000 tonnes of rice for its public distribution system is being made available from Tamil Nadu FCI stocks. The retail price of ordinary rice continued in May at Rs. 1.20 per kilo to Rs. 1.40 per kilo. The price of superior varietises were rising. In May the second variety sold in Thanjavur at Rs. 49.50 per 57 kg. instead of the government price of Rs. 40. Ponni sold at Rs. 52 instead of Rs. 42.75 which was the official price. In part this was due to increased charges by mills to counter which the government offered exemption from power cut to mills which did not increase their hulling charges and did not engage in hoarding. The rise was also due to the movement of paddy to the deficit areas within the State and even more to the neighbouring deficit States of Kerala and Karnataka. Karnataka was well short of its procurement target of 2.50 lakh tonnes at the end of May, as only 1.52 lakh tonnes had been procured through the growers levy. It therefore introduced a mill point levy in mid May under which the mills will have to surrender to the government 20 per cent of the paddy brought to them for milling. 50,000 tonnes of paddy are expected to be procured through this mill point levy. Paddy production will soon receive a further boost as a result of the use of a phytotran at the IRRI, Manila, through which all the diverse agro-climatic conditions under which paddy is grown in different soils and climates of this State and other States can be simulated at any time and the precise land and water use and management and inputs required by a specific soil in a specific climate and environment can be identified. Consequent on the lifting of restrictions on the inter-State movement of wheat, referred to earlier, the State government has licensed private dealers to procure and lift wheat stocks from the open market in wheat surplus States and sell wheat, maida and other wheat products in this State at agreed prices.

Groundnut and Sunflower :

To arrest the continuous rise in the price of groundnut and groundnut oil, due to the speculative buying by one or two groups of merchants from Gujarat and Maharashtra where due mainly to bad weather the groundnut crop and area had been declining in the last 3 years (1970-71, 18.3 lakh tonnes, 1971-72, 15.4 lakh tonnes, 1972-73, 13.49 lakh tonnes and 1973-74, 12.4 lakh tonnes), the government on May 12 issued the Tamil Nadu Groundnut and Groundnut oil (Declaration and requisitioning of stocks) Order under which (a) every one with not less than 20 quintals of groundnut oil or 25 quintals of groundnut kernel or 35 quintals of unshelled groundnut at any time has to declare his stocks to the Assistant commissioner of Civil Supplies or taluk Supply Officer within 3 days and thereafter on the 1st and 15th of every month : (b) every person intending to transport groundnut or groundnut oil to any other place has to make a declaration to the authorised officer. On the basis of agreement with wholesalers, it was decided that a producer or trader should deliver voluntarily to Tamil Nadu Civil Supplies Corporation or agency nominated by the collector 25 per cent of the declared stocks at Rs. 630 per quintal

of groundnut oil and be free to dispose of the balance of 75 per cent at any price anywhere in the Country. If the Corporation or designated agency is not able to receive oil, groundnut kernels equal to 2½ times the weight of oil at the rate of Rs. 230 per bag of 80 kgs. should be delivered to the agency or a warehouse or earmarked with the producer or trader. The immediate effect of the order was to bring down prices which were Rs. 300-350 per bag to Rs. 195 per bag of 80 kg. which was lower than the authorised price of Rs. 230. Further the groundnut trade slowed down and the effect on the farmer needs to be watched. The Union government should also enter the picture with the State to control the price of the 75 per cent which is sold in the open market in this State and neighbouring states. Meanwhile intensive cultivation of oil seeds involving use of prescribed fertiliser application and use of improved strains such as M. 13 and Gangapuri groundnuts are underway in the State. Special attention is given now to growing the sunflower crop as the farmer gets 400 kg, per acre valued at Rs. 940. In the case of groundnuts, irrigated farming costs Rs. 500 and yields 20 to 30 bags per acre and dry farming costs Rs. 50 and yields 10 to 15 bags per acre. Sunflower costs Rs. 450 per acre under irrigation and Rs. 300 under dry farming. Nationalised banks and co-operative societies advance Rs. 500 per acre to groundnut cultivators and Rs. 400 per acre to Sunflower cultivators. It is estimated that oil seeds production in the State will increase by 10 to 20 per cent this year.

Crop Insurance:

Tamil Nadu is one of the six States where the Union government's crop insurance scheme on a pilot basis in Tondamathur block and Satyamangalam taluk is to be applied. To begin with, the General Insurance Corporation will offer insurance to the cotton crops in this and also groundnuts in the other five States. On the basis of the functioning of this limited scheme, a Committee made up of members of the Governing Body of the General Insurance Corporation will recommend the most feasible pattern of crop insurance and its extension to other crops. Fertilisers and Chemicals, Travancore, Limited, in Tondamathur and EID-Parry in Satyamangalam are to help in the implementation of the scheme in this State. Though the State has the infrastructure to provide the inputs and assess the level of production of the 2 crops, the studies conducted in the State do not support any general crop insurance scheme nor ensure its viability. While the scheme will help the farmer obtain credit, improved seeds, fertilisers and pesticides so as to reach optimum production fixed for him by the agency and compensate him if production falls below this point because of climate and other reasons, the farmers do not see the point to the scheme want compensation for any loss due to a fall in the market value of cotton. Under the Tondamuthur scheme the cost of cultivarion has been determined at Rs. 2,015 per acre for a minimum yield of 650 kg. of kapas. The farmer pays a premium of 3 per cent and is covered by any decline in production. FACT has also fixed certain norms for the selection of farmers in the scheme, such as minimum 1 acre and maximum 10 acres, farming, no verticillium disease, no credit dues with other banks, and obligatory following of FACT practices. In fact the insurance scheme is more a means of helping the cotton farmer to follow sound practices, ensure him inputs and so increase production rather than simply

provide him compensation for losses. From the standpoint, the scheme is more a scheme to insure the return on a package of inputs provided to the farmer than an insurance scheme. A real insurance scheme presupposes the existence of fortuitous risk and statiscal measurability of the risk. Such measurability is not possible because of the lack of reliable long period data on crop yields and losses, the wide variety of farming practices, inadequate land tenure and land records system, lack of trained personnel, ignorance of farmers and limited finance. Hence its limitation to low and minimum risk areas which make it unattractive to farmers.

Irrigation :

The State has 37,000 irrigation tanks which need desilting and improvement. The State Planning Commission has drawn up a programme of priorities for this task under which (a) 7,000 tanks which irrigate over 200 acres each should first be desilted, followed by (b) 5,000 tanks serving 100—200 acres each, and (c) 25,000 tanks each serving 100 acres and less. In early May, the government approved the desilting of the first priority 7,000 tanks at a cost of Rs. 5 crores this year and Rs. 3 crores next year. Also at the same time the Rs. 220 lakh Cauvery upper Anicut flood regulator was inaugurated which was drawn up soon after the 1961 Cauvery floods. The project is designed to carry 1,70,000 cusecs in Cauvery and divert flood waters to the extent of 2,80,000 cusecs in the Coleroon. Irrigation and farming in the Cauvery delta area will as a consequence be rationalised and improved.

Fertilisers :

For 1974-75 Kharif, the State has been allotted 1.1 lakh tonnes of nitrogenous fertilisers which is about 34 per cent of its annual requirement of 3.25 lakh tonnes. Less than half this allotment comes from pool stocks and the rest from private manufactures. Hence there is need for economy in the use of fertilisers and improved distribution of the limited quantity. Farmers are being trained in adequate but limited application of fertilisers as noted earlier under groundnuts and sunflower farming. Practices like split application and incorporating fertilisers just below the farm surface will make for economy and higher yield. Further 3,200 tonnes of green manure seeds have been bought to increase production and use of green manure. Also the annual production of rhizobial cultures is being increased from 2 to 3 lakh flasks. On the distribution side, farmers throughout the State have been issued cards so that they can draw their supplies from predetermined private and/or co-operative sale outlets. The maximum quantity of entitlement is based on the farmer's cereal acreage. The Kharif sowing will in this manner cause less disruption with regard to its fertiliser needs.

Tea :

Due to persisting drought conditions in the South, Sri Lanka, and Kenya, UPASI reports that tea output in the first quarter of 1974 was down by 11.8 million kg. to 58.4 million kg. There was also the problem of shortage of fertilisers, furnace oil, coal and other inputs and in Tamil Nadu the very heavy 60 per cent power cut. Hence South India tea production in the first quarter of 1974 was down by 1.4 million kg. to 17.9 million kg. In the first 11 months of 1973 Indian tea exports totalled 165.4 million kg. (against 207 million kg. for all of 1972). Sri Lanka exports in 1973 increased by 15 million kg. to 205.01 million kg. The one bright spot was that the early months of 1974 saw a

sharp rise in the price of tea sold in both South India and North India. Last year due to stagnant internal consumption, lower USSR offtake and difficulties in India Sudan trade (See Vol. III pages 186, 575) the prices in Cochin auctions were 17-34 paise less than in 1972. In 1974 in the first quarter Cochin prices were higher by over a rupee per kg. and in London North Indian tea was 12.71 pence higher and South Indian about 10 pence higher (Kenya tea was 18.87 pence higher). This increase in price is due to increased internal consumption following the two cold waves in North India, the reduction in inventories by the major producers and trade due to the credit squeeze, and high interest rate, the shortage of spot tea and the extremely buoyant London market. Cochin auctions disposed of 67 per cent of the South Indian crops and Coonoor 11 per cent, thus asserting the role of those 2 auctions in the tea market. There are two problems that the tea industry is facing. First is its input supply position which is poor and which may raise their costs and lower their profits. Second their wage bill may go up sharply. In Kerala in place of the 18 per cent increase of wages or 67 paise per day from April 18, 1974, the government has under the Minimum Wages Act ordered an increase by Rs. 1.20 per day for both men and women. This increases the cost of production of the tea planters by 20 per cent and will spread to Tamil Nadu plantations also. Towards the end of May, tripartite negotiations in Tamil Nadu were being concluded and the result will be a significant increase in plantation wages. In Kerala the tea worker gets Rs. 4.89 as daily men's wage and Rs. 4.40 for women. In Tamil Nadu the rates are Rs. 3.65 for men and Rs. 3.10 for women. Here there is not only the problem of neutralising rising prices and inflation but also compensating for increased productivity. While every planter refers to stagnant productivity, the Unions point out that despite the lower land-labour ratio, the average yield in Tamil Nadu tea gardens is around 1,740 kg. per hectare, which is the highest in the world. The plantations must thus face higher wages squarely or lose their workers to other agricultural areas which are paying better. In the long run there is need for a policy aimed at raising the price of tea comparably with all other internationally traded goods. The price spurt in the first quarter of this year is based on evanescent forces. To ensure a rising tea price internationally the first action needed is agreement between India and other major tea producers. Here discussions with Sri Lanka and Bangla Desh are well underway as noted in Vol. IV page 298 and in May negotiations with Kenya and Indonesia were undertaken by the Minister of Commerce. Now it remains to be seen whether India, the major tea producer in the world, can give a lead at the meeting of inter-govermental group on tea at FAO, Rome in June in arriving at a 3 or 2 year agreement, setting forth quotas for each country, and establishing the conditions for rising prices over the long term period. There is also the need for India to replace its generic tea promotion by uninational promotion. India the largest tea producer and exporter must establish its international identity, develop and propagate its own brand and level, stop relying on U.K. blenders, package and market its own blends and brands and do all this through an autonomous body as urged in Vol. III page 644. In so pushing its sales in foreign markets, there should be no regret that our free foreign exchange markets are contracting and our bilateral rupee markets are expanding. It is a false dilemma to pose the issue that in 1951 all our exports were paid for in free foreign

exchange, while today only 55 per cent of our tea is in that area. For one thing the price paid by the Rupee trade area, USSR and Eastern Europe, is much higher than that paid by U.K. or Western Europe. Further India which started with supplying 40 per cent of the Soviet tea demand has now replaced China and is supplying 90 per cent of that market, which is certain and assured and which is in repayment of a whole host of essential imports that this Country receives from the rupee trade area. What is needed is for Indian tea production which has increased by 52 per cent over the last 2 decades while world tea production has increased by 90 per cent to be expanded rapidly. So too have Indian exports been stagnant, they are about the same over the last 20 years, while world tea exports have expanded by 50 per cent. An expansion of our tea exports along with an expansion of tea production is what the South Indian and North Indian planters with the aid of the government should aim at.

Coffee :

Last year's (1973-74) coffee exports were 52,057 tonnes earning Rs. 45.58 crores. The 60,000 tonnes referred to in the last issue (Vol. IV, page 368) was the target, the actuals being lower than that. For this year 1974-75, the estimate of exports is 56,0C0 tonnes, earning Rs. 55 crores. The coffee market is buoyant internationally and as suggested in the last issue, it is necessary to step up our exports even at the cost of some reduction in internal consumption. Second in this situation, as the National Commission on Agriculture points out, there is need for establishing realistic estimates of the coffee demand in world markets and new export markets should be developed in place of the present ad hoc basis of fixing export targets and continuing with traditional markets. The only new market which has opened is that of the Soviet Union which bought 30 per cent of our exports (14,200 tonnes of green coffee and 200 tonnes of instant coffee at Rs. 17 crores and which was 32 per cent higher than its 1972-73 purchases). Third the area under coffee cultivation has been growing slowly over the past two and a half decades from 88,562 hectares in 1947-48 to 139,478 hectares in 1971-72, an annual average growth of only 2,133 hectares. Further coffee production is too heavily concentrated in three Southern States—61 per cent in Karnataka, 22 per cent in Kerala and 16 per cent in Tamil Nadu. Now the government and Coffee Board are encouraging the development of new areas for coffee production. To the existing 3.40 lakh acres, at least 50,000 acres should be added. The Chairman of the Coffee Board has indicated that 20,000 acres in Assam, 10,000 acres in Andhra Pradesh, 5,000 acres in Orissa, and under the Rs. 25 crores Western Ghat development scheme, additional areas in Kerala, Karnataka, Goa, Maharashtra and Gujarat will be brought under coffee production. This will increase production and reduce the spatial concentration of the industry. Finally there is the usual problem of the increasing costs of the inputs—like fertilisers, chemicals, transport and wages and the differential taxes and wages in the different States. In this connection the threat of some Wynaad estates—which the Wynaad Coffee Growers Association puts at 250 estates, the Kerala Chief Minister estimates at 50, and Coffee Board computes at a few large estates—to close down their plantations on the ground that the returns on their robusta brand coffee is about Rs. 3 50 per point while their cost is Rs. 3.80 per point is not true or convincing. What some of these large plantations have done is not to close down but suspend their weeding and manuring (post picking) operations in order to force the

Board and government to increase the price of Robusta Coffee. As the Coffee Board points out there has been no fall in the price of coffee but a 32 per cent rise in 1974 May over 1973 May. The increased costs, including wages which under the Minimum Wages Act is Rs. 5.22 for a male coffee worker and Rs, 4.34 for a female (in Tamil Nadu it is Rs. 3.60 and Rs. 3.05), works out to Rs. 3.88 per point for these estates while the internal auction price has increased from Rs. 3.48 to Rs. 3.88 per point and the cheaper 1972-73 season's coffee has been paid for at Rs. 4 per point and will be even higher for the 1973-74 crop. The real problem here is the reaction of some planters to the rise in wages decided by the Kerala Government and an attempt to demonstrate their feeling on this and cause a crisis. The Union government, the Coffee Board and the planters can and should settle this issue. There is a long term problen of rising costs. Here the Board should undertake a detailed cost structure study, state state, and the government needs to bring about a certain degree of homogeneity in the cost components including wages and taxes through the South Zone and other zonal bodies. In this study and action, special consideration and aid should begiven to the small planters and plantations.

Rubber :

In view of the shortage of alcohol and coke, synthetic rubber factories have stopped production since March. As a result rubber consumers and manufacturers began to stock pile natural rubber. All rubber goods factories are working to full capacity. As a consequence in May, the price of rubber whose notified price is Rs. 520 per quintal for the finest quality and whose international price is Rs. 700 shot up in the Country to Rs. 930 per quintal. One result of this price rise is that STC, which had exported 3,000 tonnes of rubber and where the advisabilitty of exporting 10,000 tonnes was analysed in Vol. IV, pages 141 and 288. has stopped further exports. In any case this price which is temporary will leave behind a level of prices which should increase rubber production in the Country.

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III Industrial Development

Salem Steel :

On the basis of the work on the project todate, the Managing Director estimates that the cold rolling mill complex will be commissioned in the first quarter of 1978. As against the 3,792 acres needed for the plant's first phase, 3,300 acres had been acquired, 9.65 lakh cubic metres earth work on site levelling as against 11.7 lakh cubic metres completed, 75 per cent of the work on diversion of canals for drainage facilities and 65 per cent of the boundary will have been finished. Following the advice of the expert committee, a detailed scheme for drawing 22 million gallons of water per day has been readied. In

addition 7 million gallons of drinking water will be added to Salem and neighbouring areas by the Tamil Nadu Water Supply and Drainage Board to meet the plant's needs. Work on the 8 km. railway siding will commence in August and be completed in October 1975. The expenditure on all this work todate has been Rs. 4.75 crores. For this year the estimated expenditure is Rs. 15 crores, to which the Union Steel Ministry is giving top priority as noted earlier. Of this sum, Rs. 6.2 crores is for the Hindustan Steel Workers Construction for civil works and townships, Rs. 5 crores for ordering sophisticated equipment from abroad and Rs. 3.8 crores on other items. The Plant has also received the letter of Intent from the Union government to purchase equipment to produce the 1,95,000 tonnes of various types of steel.

Neyveli:

A noted in the power section under State, the 2 furnace oil fired boilers as Neyveli went into operation from mid May. Until the Railway strike was lifted on May 28, special arrangements had to be made to transport furnace oil to Neyveli, where the two boilers consume 720 tonnes a day. The oil is available at Madras Refineries and a ship with 40,000 tonnes of furnace oil unloaded its oil at the end of May in the Madras harbour. Closed circuit oil specials were run from Madras to Neyveli during the strike to ensure a continuous supply of oil. By the end of May, Neyveli stepped up its power generation to 350 MW which enabled it to supply 170 million units to the State grid during May and the same amount will be available in June.

Concast :

The Tamil Nadu Steels at Arkonam is being expanded by the installation of a second arc furnace at a cost of Rs. 1.5 crores. This would enable its output of 50,000 tonnes of billets to be doubled. In addition, a wire rod mill is being erected at a cost of Rs. 4 crores to produce 40,000 tonnes of wire rods. A satisfactory note about Concast is that for the first time, in 1973-74, it registered a profit of Rs. 10 lakhs, after providing for interest, depreciation etc. despite the very heavy power cut last year of 75 per cent that it worked under.

Tuticorin thermal :

Preliminary works for the Rs. 75 crores thermal project in Tuticorin (See Vol. IV pages 4 and 112) are underway. Drilling for studying the sub-soil conditions, foundation structures are being operated on the 360 acre site near the new harbour project. Orders with BHEL for the supply of boilers and transformers have been placed. By 1979 two sets, each producing 200 MW, will become operational. When the plant thus generates much needed power for the Sixth Plan, the possibility of expanding it by installing 2 more units of 500 MW each for operation in the Seventh Plan should be taken up to meet the fast growing power needs of the State.

Textiles and Yarn :

The textile mills in the State have been affected by the power cut, rising prices of cotton and the D.A. increases. The mills are agitating against the controls on the price of cotton yarn. The industry has offered to meet the yarn requirements of handlooms, powerlooms, and the hosiery industry, if cloth prices were allowed to be increased. In the Country, the 1973 yarn production was 980 million kg. in the South it was 266 million kg., (which was much better than the 1972 production of

182 million kg.) But cotton cloth production declined from 4,245 million metres in 1972 to 4,132 million metres in 1973. These production figures are far from the Fifth Plan targets of 13 million kg. of cotton yarn and 5,000 million metres of cotton cloth, to attain which spindleage will have to be increased from the present 18.4 million to 24 million and loomage from 2.06 lakhs to 2.95 lakhs. The South Indian mills, to meet the recurring power cut, have installed captive power plants at their own costs. All these factors are being urged to justify their plea for a rise in cloth prices. The All India Handloom Board at its meeitng in Hyderabad at the end of May proposed: (a) setting up a buffer stock of yarn in each State and the distribution of the stock through existing channels: (b) creating a central pool of yarn on a Statutory basis making possible a levy procurement from Spinning mills: and (c) earmarking part of the production of dyes and chemicals in the Country for handloom sector. The need for a central stock and the use of a levy system to build it up seem uncalled for and unwise in view of the muddle in yarn control and distribution by the Union Government as analysed in Vol. III pages 506, 580 and 646. The cry of falling profits because of the various constraints from the mills is in contrast to the 1973-74 profit of Rs. 1.89 crores, after paying interest and depreciation, by the 12 mills taken over and managed by the Tamil Nadu Textile Corporation (See Vol. II No. 7 page 24, No. 10 page 22 and Vol. III page 34) as reported by the Government. Now the State Government wishes to nationalise these mills as does Maharashtra. But the Union Government wants through the National Textile Corporation to become full owners of these 12 mills, as of all the 103 sick mills taken over by the State Governments. The Maharashtra Government has opposed the proposal as this State Government has for the same reason —namely--that State Government management is related to local conditions, is flexible and efficient, whereas the National Textile Corporation management is heavy handled and problem creating. The State is prepared to give the Union authorities a partinership share with equity participation, with a board and Chairman appointed jointly by the two parties. So far the State has invested Rs. 10.95 crores in the 12 mills, of which Rs. 2.24 crores were spent on modernisation, and though the Union Government was supposed to contribute 51 per cent of the cost, so far it has contributed only Rs. 2.32 crores. These mills which have now been modernised and rehabilitated should remain in the hands of the State. It may be recalled that it is through the yarn supplied by these 12 mills and the 12 co-operative mills that the State was able to mitigate the crisis that the handloom weavers faced last year (See Vol. III pages 580 and 581). There is no reason for the State to give up this effectively managed sector and its reserve in times of crisis to the National T. N. Corporation management.

Cement :

Probably the cement industry in this State and Maharashtra were the most seriously hit industries as a result of the railway strike. Its parlous position was analysed in the last issue (See Vol. IV, page 393)—even before the strike. The 4 cement plants in this State normally produce 1 million tonnes a year. The Sankarnagar India Cements plants which had closed down 5 kilns was completely shut down in early May. Both Chettinad Cement plants closed for 20 days in May due to lack of coal, in Dalmiapuram only one kiln of 200 tonnes out of a total 14,000 tonnes daily capacity was functioning. The 2 kilns of Madras Cement at Tulukapatti closed down. Thus in May out of

a daily capacity of 10,000 tonnes, less than 1,500 tonnes were produced. The result was a thriving black market in the Slate. While the controlled price for a bag of cement is Rs. 13, in early May it was selling at Rs. 30 per bag and by the third week at Rs. 36. In addition to the flourishing black market adulteration of cement with fly ash, sand and clay was rampant. The black market was worked by bogus consumers obtaining valid permits and pushing their stock into the black market, the government contractors who have priority of over 60 per cent of what is produced siphoning off part of their supplies into the black market, and adulteration being easy and paying so well adding to the black market supplies. This story of closing down of cement units, of Mysore Cements, Surajapur Cement in Haryana, of Rajasthan and Gujarat factories and black marketing of the small stocks was the common story in May throughout the Country. Towards the end of the month, the Tamil Nadu units began receiving coal supplies and partially restarted operations. In one major factory 2 out of 8 kilns started work, in a second one, of one of 2 kilns started and a third opened up one. Pending a general increase in the price of cement which was expected around mid June, the Union government decided at the end of May on an ad hoc increase of Rs. 4 per tonne, the proceeds being used to compensate those factories which have to bear the increased costs of furnace oil. Cement factories in Tamil Nadu and other coal deficit areas are to receive a subsidy for the furnace oil used, with the government's prior approval, of Rs. 50 per tonne of cement It is high time that the cement price was raised. The current controlled price is Rs. 110 per tonne but that is a price only available to the government. The Tariff Commission completed a detailed price study and submitted its report in March but because of the complex recommendations and the railway strike, three months have passed without decision. The Commission recommended a priee of Rs, 136 per tonne for existing units, Rs. 141 for those expanding, Rs. 146 for new units, Rs. 149 for new units with plans for expansion and Rs. 161 for those who will start in 1976. Given the rise in the price of coal and power, the increase in workers D.A. and wages. and above all the need to attract more capital into the industry to raise the present capacity to 21.08 million tonnes in 1974, 21.88 million tonnes in 1975, 22.72 million tonnes in 1976, 28.64 tonnes in 1977 and 38.12 tonnes in 1978 (as forecast in the Draft Fifth Plan), the price must be raised immediately by at least Rs. 25 per tonne. And coal supply must be assured to the industry on a priority basis plus furnace oil to help them run their generators in veiw of the parlous power situation in this State during the Fifth Plan.

Salt :

Salt was another Industry hit by the railway strike. In the National section, the problems faced by Caustic Soda units because of the total lack of salt was referred to. In Tuticorin in mid May about half a million tonnes of salt was waiting to be lifted. The strike and the power cut led to a slow down in the industry and staggering of work for 20,000 workers.

Pandyan Chemicals :

A joint sector unit, Pandyan Chemicals Company Limited is being set up in the backward Narasingampatti village in Melur taluk. The company with a capital of Rs. 70 lakhs will be producing 1,825 tonnes of potassium chlorates a year. The company has been started

by small match producers who are facing acute scarcity of raw materials such as blue paper, potash etc. which the joint venture will relieve to some extent. It is also part of the programme to open up the backward areas of the State, for which the necessary infrastructure of power, water supply, financial assistance and entrepreneurship are being provided.

Sugar :

The Sugar industry needs study and review. Despite a good sugar cane crop, sugar production will be only 40 lakh tonnes as against 45 lakh tonnes target for the year as forecast in the last issue Vol. IV, page 353). The Union government attributes the low production to poor recovery, while at the same time stating that it cannot explain how there can be different rates of recovery from mills using sugar cane from the same area, and admitting its inability to check the percentage recovery reported by individual units. The Tamil Nadu government feels that there is need for decentralization of power and authority with regard to fixing the price of cane and the price of sugar allotted for distribution in the State. The first is being done in any case now because after fixing the cane price for the Country, the Union government writes to the State government asking it to intervene to get a higher cane price for the grower than that announced by the Union government. Also the States co-operative units in the State share their prifits with the cane growers. Hence the State government would like to see a decentralized sugar policy under which the State government would (a) fix a uniform price for cane for all mills—both private and co-operative (b) decide on the distribution of 50 per cent of the total State production leaving the other 50 per cent to be sold in other States or exported in accordance with the Union government's policy and (c) replace the dual price policy, under which the consumer is exploited in the case of the high non-levy market price, which is not necessary to compensate the sugar producer because of the levy price or of benefit accruing to the grower or labourers. The experience of the co-operative factories showed that all these rationalisations for the dual price policy are not true and do not apply to this State. The government is also reorganising Southern Structurals, which it is managing and which it proposes to nationalise (See Vol. IV, page 256) so that it will specialise in producing sugar mill equipment for existing sugar mills, the 11 public sector mills and the new units which will be coming up in the future. In fact Southern Structurals will become a major producer of equipment for sugar factories in the Country.

Leather :

The balance sheet of the new leather policy for the year 1973-74 whose data is now available shows a decline on all items. Overall leather exports declined by 7 per cent in value—Rs. 171.48 crores in 1973-74 against Rs. 183.62 crores in 1972-73, with a much larger (40 per cent) decline in volume. In 1973-74, 367.34 kg. of EI tanned hides and W.B. chrome tanned hides were exported against 587.60 kg. in the previous year. Exports of finished leather goods, footwear and components declined by 14 per cent from Rs. 31.05 crores in 1972-73 to Rs. 26.64 crores in 1973-74. It is hoped that this year the policy will pay off and each unit will take full advantage of the full year's quota allotted last year when it operated only for 8 months (See last issue Vol. IV page 375). The Leather Development Authority and the Leather Export Promotion Council should improve and

instal the infrastructure and transport services needed by the small producers so that the growing international demand for leather goods may be speedily and effectively met.

Private Sector Reports :

The annual report of K.C.P. Limited traces the history and present position of its sugar factory, its cement factory at Macherla, its heavy engineering workshop at Tiruvattiyur and its factory for manufacture of sugar plant equipment in collaboration with Fives-lille-Call of France. It has recently entered the electronic field in the manufacture of analogue computers and is establishing a joint sector unit in TIDCO for the manufacture of steel castings. It has also started an R & D unit for better and improved developmental designs of its equipment. It has inaugurated a computercentre—the third generation IC 1901 A configuration with a wide soft wave repertoire. Dunlop's annual report for 1973 records an increase in sales by 61 per cent to Rs. 101.65 crores in 1972. As supply was well short of demand, the main distribution was to vehicle manufacturers, State transport and defence. In 1973 exports including sports goods and bicycles of Rs. 3.33 crores were sent to 87 countries. The decontrol of tyre and tube prices has increased production and the extra funds are used to finance its R & D programme. The integrated R & D centre at Sahaganj will, it is hoped help in developing indigenous tyre technology which is lacking in the Country. Its access to U.K. and Pinelli laboratories is less important than developing even a little Indian tyre technology. The Ambattur factory had to slow down because of the power cut and the difficult furnace oil situation like all industries in the State. It should now turn to changing its fuel base and economise and substitute raw materials like wood pulp, carbon black, nylon cord, synthetic rubber and rubber chemicals which are in short supply. That is one of the major tasks for its R & D unit.

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IV. Education, Science and Health

Examination Results :

May was the month for announcement of examination results—particularly for the final Secondary School year. One Madras school proudly reported that all its 92 candidates not only passed this year's matriculation examination, but all 92 obtained a First Class, 81 obtained cent per cent in Mathematics, one securing the second rank in the State and five standing within the first 10 places. In this year's SSLC, on the other hand, where 2.3 lakh candidates appeared and 52 per cent were declared successful, only one student from a Madras School appears as the seventeenth in the ninth rank in the State. As in the last 2 years (See Vol. II No. 7 pages 27-28 and Vol. III page 577), all the other 23 places in the first ten ranks go to students out-

side Madras—Kancheepuram which took the first 3 ranks, Villipuram, Palayamkottai, Neyveli, Tiruchi, Madurai, Coimbatore, Nagercoil, Tindivanam, Polur, Arkonam and Srirangam. Another point to note is that with the possible exception of Polur, all the other places are cities and first class towns. Students from the rural areas are still to catch up with their urban counterparts or alternatively, the educational game is heavily loaded in favour of the industrial urban milieu minority. In Kerala, 3.5 lakh students in the Ninth Standard were promoted wholesale to the tenth standard, provided they had put in the minimum attendance because of the progressive introduction of the new and difficult syllabus of the NCERT. The new syllabus was introduced in the 8th Standard in June 1973, when students in that standard were promoted en-bloc to the Ninth and now when the syllabus is extended to the ninth, the Ninth Standard Students will similarly be promoted to the tenth. The explanation given for this wholesale promotion, which is right, is unclear: it is supposed to avoid hardship to the sub-standard pupils who cannot cope with the old syllabus. There is no reference to learning attainment, unless passing the tenth standard exam in which every one is given several chances is equated with it. But then the results of the S.S.L.C. exams in Kerala are in direct contrast to those of Tamil Nadu. Of the 2.3 lakh candidates who sat for the academic full course, only 65,162 passed. Last year the percentage of passes was 28.3 and this year 28.4, around half of that of Tamil Nadu. The number 2.3 lakhs, who sat for the exam this year was 40 per cent higher, because of the mass promotion from Standards IX to X last year. (In Kerala the S.S.L.C. is taken after 10 years of schooling as in most other States, while in Tamil Nadu the schooling of 11 years still continues). This means that automatic promotion has no statistical effect on the number of passes in the present examination system, Nor does the higher percentage of passes mean higher learning attainment. They reflect differing standards of evaluation. Cheating in examination continues and new forms keep evolving. In Jammu, 8 teachers, 10 students and a post master were arrested in an attempt to slip in new answer books of mathematics in the Matriculation examination replacing the written answer books. Admission regulations are being revised in time for the June admission rush. In view of the mushrooming of unrecognisad private schools, the State government had earlier ordered that students from these schools should not be admitted to any class above Standard VI. In view of some hardship cases that the order involved, it has now been modified to the extent of the Director of School Education having the power to permit admission of such students in Class VII and VIII. Here there is a good case for so called unrecognised schools, if they are innovative in curriculum making and learning techniques. In reality most of them are low level institutions run for commercial profit reasons and as such need to be discouraged. From June 1974, Madurai University will have its own Law College which will function in the old University buildings till its new premises are ready.

Student Involvement in Social Change:

May was a relatively quiet month, as the students were away from the colleges and schools on vacation. In four States students' involvement in the larger social issues analysed in the last issue Vol. IV, pages 377-379) continued. In Assam, the All Assam Students Union launched from May 1 a 12 day agitation against spiralling

prices of essential commodities, abstaining from classes, taking out processions demanding food for all at reasonable prices, punishment of hoarders and black marketeers, and undertaking dehoarding operations at several trade centres. In Marathwada the agitation for faster development of the backward region exploded into violence at Bihar and was organised into 'morchas' in all five district headquarters towns. In Bihar the Student Action Committee continued to observe a "Black Day" throughout the state in protest against political corruption, hoarding and smuggling and runaway prices, leading on to the demand for the dissolution of the Assembly. In Madhya Pradesh, under the auspices of the government, a programme was launched for harnessing "Student Power" to tackle the situation created by the railway strike and help in the wheat procurement drive of the State. Students organised themselves to participate in this service. Because of the vastness of the Country and the decentralised nature of the educational system, there is not an organised all India student involvement in these social issues. The movement is localised in the trouble spots of the Country, and the social consciousness of the students involved is growing.

Educational Reform:

The vocationalisation of secondary education recommended by the State Planning Commission for the Fifth Plan is now being put into effect. A preparatory meeting in early May to transform some of the schools into comprehensive schools is reported under Section VI, 'Other Items'. The comprehensive schools will not repeat the errors of the bifurcated courses introduced in 1949 and approved by 200 high schools. In these schools there is an academic stream which prepares students for the University and another practical stream in which there were two main options from among engineering, textile technology, agriculture, home science, secretarial course, art and music. On the whole this programme of bifurcated courses has failed in the State for many reasons. The schools were well equipped in terms of physical facilities but have not succeeded because: (a) the predominantly agricultural—rural environment was not reflected in the practical stream and there was no flexibility and decentralization to each school to develop its syllabus in relation to local farming, trades and occupations: (b) the teachers were not trained for vocational courses and the headmasters were not prepared for it: (c) students in the practical stream did not find employment when they left school, the local employers not being involved in the programme and so these students too became pupils wanting to enter the University, where they found some discrimination against them vis a vis academic streamers: (d) the stagnation of the economy has been a further obstacle- An ECAFE report on vocational schools in Asia points out that most Asian vocational schools are no different from the academic schools and serve simply as stepping stones for higher education. In preparing to develop comprehensive high schools for which this year's budget has Rs. 10 lakhs, the lessons of the bifurcated schools need to be taken into account and are in the recommended plan referred to later in section VI. The All India Council of Technical Education at its May meeting has recommended that a National Council for Vocational Education with corresponding State Councils should be set up to review and co-ordinate the policies and programmes of vocationalised secondary schools and technical education and provide for effective links between them. In fact the Council seems to endorse the

concept of comprehensive school, when it emphasises that the programme of vocationalisation of education should provide for interchangeability among technical vocational and general streams—which is the core concept of comprehensive education. The Union government has announced two scholarship schemes to promote art education and perception. In one scheme, the cultural talent search scholarships, talented children in the age group 10-14 will be offered scholarships in music, Bharatanatyam and Kathakali dance, painting and sculpture. In the second scheme, young artistes scholarship, scholarships are to be granted to young people (18-20 years) of outstanding promise for advanced training in music, drama, dance, traditional theatre, painting These two schemes in a sense fill a gap in the edncational system and introduces in an organised manner the humanistic element it has lacked.

Technical Education :

The 22nd meeting of the All India Council of Technical Education in New Delhi reviewed the work and programmes of engineering colleges and concluded that the 25,000 seats in degree colleges were adequate to meet the engineering requirements of the Fifth Plan. It recommended the expansion of post graduate research facilities in aeronautics and marine engineering and the establishment of liaison centres in some of the colleges to strengthen links with industries. It also recommended that Polytechnics should run one year post diploma courses to meet the growing demand, for high level technicians of agri-based industries and rural development programmes. The Southern Regional Committee of the Council also meeting in May recommended that vocationalisation of education at the school and college levels should be developed by the States, and approved a proposal from Binny's to start a junior technical school in textile technology. It also suggested a number of diversified courses for the present academic year in electronics and communication engineering, rubber teachnoloy, printing technology, and watch making and mining. The Committee on regional engineering colleges appointed by the Union government referred to in Vol. III page 516 submitted its report in May and has recommended the take over of all regional engineering colleges by the Union government in the interest of national integration, renaming them central engineering colleges, admission to which is to be by an entrance examination and a quota for each State. The staff are to be recruited on all India basis and full rail concessional fares by second class once a year to be given to students from other States. The existing scholarships in each college should be divided equally between students from the host State and other States. The central engineering colleges while being linked to other engineering colleges in the State, should be fully autonomous in academic matters with a Council of central engineering colleges established by Act of Parliament, with powers to confer degrees and disburse grants. This recommendation to centralise this part of engineering education in the name of national integration is retrograde educationally and scientifically. National interation will be fostered by honesty and integrity in political life and efficient management and uncorrupt administration, where all are treated alike. In engineering education each area's needs vary and each institution should be given adequate freedom to develop to meet the engineering needs of the region. There is no case for these engineering colleges to be modelled on the IIT pattern, the latter having a distinctive high level research and training vocation. The report of the Committee will add to the costs of

engineering education to meet wrongly conceived non educational ideas. In regard to the reduction of medical seats in the State from the present 1,015 by some 200 seats referred to in the last issue Vol. IV page 382), the government reluctuntly, on the advice of the legislative Assembly, has decided not to reduce the intake for this year. This is the kind or uneducational and anti-employment compromise forced on the authorities by popular pressures throughout the educational system. The Rajya Sabha at its May meeting recommended that the medical colleges should not charge capitation fees and that the government should either take over the colleges charging such fees or compensate them for their abolition. This is sound recommendation and should be acted upon. In Karnataka admissions to medical colleges are being reduced to compensate for the over admission in 1973 following from the switchover from the one year to the two year P.U.C. This one time excess is now being corrected and the total admissions brought down to 850 in the 9 medical colleges. This, it is hoped, will meet the criticism of the Indian Medical Council and soften it stand on the derecognition of medical colleges which applies particularly to Karnataka (See last issue Vol. IV pages 382). The Madras University students' information Bureau ran its annual programme of vocational guidance for 45 days in May and June in which over 40 professional bodies and employers participated. There were 2 sessions each day, in the morning experts from the different professions guiding students and in the afternoon the professional bodies outlining employment opportunities. In a declining employment market, this programme helps students choose their careers and employment intelligently.

Science :

Parallel to the programme analysed in Vol. IV page 299 the United States launched a $ 205 million Applications Technology Satellite (ATS) from the Kannedy Space centre on May 30. In July 1975 the 1,500 kg. spacecraft—ATS—will be shifted from its position over the Golopagos islands to a point about 36,000 km. over Kenya, from where it will beam educational programmes in 5 languages to 5,000 villages in Bihar, Orissa, Madhya Pradesh, Karnataka and Rajasthan. This ATS—the teacher in the SKY—will remain in that position for one year for India's Satellite Instruction Television Experiment (SITE), making India the first Asian Country to use a satellite in a systematic education programme. By June 1975, 2,400 special television sets, each costing double that of the ordinary set, will be distributed to the villages designated to pick up programmes directly from the satellite. The programme which will cover health, family planning, education and agriculture are now being produced on video-tapes and will be transmitted to the ATS from the Ahmedabad earth station. From Ahmedabad also live T. V. programmes will be designed and telecast to ATS. During the one year experiment July 1975 to June 1976 — the satellite will broadcast educational programmes for 1,500 hours. On the basis of SITE, ISRO will use a multipurpose Satellite for continuing the educational programme. The first 300 kg. Indian Satellite will be launched from a Soviet Cosmodrome in December 1974 into a 600 km. near circular orbit. In addition to the tracking stations in Sriharikota and Moscow, ISRO has entered into agreement with France to provide a third station for tracking the satellite and its messages. The National Institute of Oceanography is setting up a regional

centre at Waltair to study the physical, chemical and biological aspects of the Bay of Bengal. The Tamil Nadu Agricultural University is setting up in a 100 acre site in Yercaud an agricultural research centre on the environmental and cropping patterns for growing pepper, coffee, spices and fruits and vegetables in hill areas. The Country is expanding its computer stock importing from the Soviet Union 6 Ryadh series of computers (the Soviet equivalent of IBM 360 and 370 series See Vol. IV page 44) for use by IITs Bombay and Kharagpur, the Administrative Staff College, EIL, the Meteorological Department and BARC. The user establishments are setting up the necessary services to maintain the computers. In addition a Computer Maintenance Corporation is being set up to help the user establishments to store spares and provide them with the expertise for maintaining the computers. The IBM 360, 370 series are in use at IIT, Guindy, Delhi University, ISRO and the Indian Institute of Science. Further ECIL is importing a French made Iris 557 computer and will be taking up its manufacture. On electronic soft ware, the government has approved the import of two computer systems, one from the U.S. and the other from the Soviet Union. The Union Planning Commission's task Force on R and D in the electric industry, finding that the current R & D in power is diffused, unco-ordinated, ad hoc and isolated with little impact on power development despite the expenditure of Rs. 10 crores per annum, proposes setting up a Power Technology Development Board for accelerating, expanding and co-ordinating the national effort which should be raised to Rs. 30 crores per annum during the Fifth Plan to meet the demands of the Fifth and Sixth Plans for a highly dynamic rate of growth of power system capacities and indigenous manufacturing capabilities. The Board, it is recommended, should (i) prepare a science and technology map for the power supply and power equipment industry (ii) use fully existing technological development both in the power systems and equipment manufacturing industry in shaping national power goals and programmes, (iii) decide on the R & D design engineering, testing or other tasks to attain self reliance in power, (iv) assign priorities and allocate them to existing technological institutions, (v) monitor import of technologies to ensure that they are a part of the national technology plan, (vi) assess where the successful implementation of projects calls for multi agency task forces, (vii) monitor science and technology inputs and make the necessary changes, (viii) ensure that universities make the fullest contribution to power development, and (ix) support programmes of standardisation. The Board should also run a technological information centre to publicise R & D tasks decided by the Board, and technology contracts and programmes. This is an essential part of R & D machinery and should be an arm of the National Energy Board repeatedly recommended in this Bulletin (See the last issue, Vol. IV pages 19, 349 and 351).

Health :

The decision of the government to establish four more hospitals at Teynampet, Washermanpet, Perambur and Annanagar with 100 beds each at a cost of Rs. 1 crore is timely to improve the deteriorating health care and facilities of the city's 27 lakh people. The facilities at the four government hospitals—General, Stanley Medical, Royapettah and Kilpauk—are over-strained. They are all well equipped for diagnostic and curative treatment but their qualitative service is declining. The bed population ratio of 1 : 1,000 and the doctor patient ratio of 1 : 5 claimed are nullified by the fact that

there are always 30 per cent more patients than the 3,300 beds. A majority of the 1.3 lakh persons hospitalised is from outside the city and must be provided in-patient facilities. Their out patient service to the daily 15,000 patients treated in 2 hours with minimum staff and facilities undermines public confidence. The heavy overcrowding makes personal attention difficult and imposes a long time lag in treating patients. There is too much compartmentalisation and specialisation which is inconsistent with general health services improvement. Further the combination of paid and free medical care leads to charges of medical favouritism. There is discourtesy and malpractice on the part of the lower hospital staff. These defects can be corrected. With the establishment of the 4 new hospitals, it should be possible to isolate the 25 per cent chronically ill who need prolonged treatment, from the 50 percent who are acutely ill and need immediate and personal attention. Further there are the 25 per cent whose disease is poverty and who resort to the hospitals, one after another, to get the hospital diet. These must be separated and provided food facilities. There is also the need to improve environmental sanitation in the State, as 25 per cent of deaths are due to infectious and parasitic diseases, particularly gastro enteritis and pulmonary tuberculosis. These hospitals should develop into referral hospitals, with out-patient treatment facilities in all Corporation divisions. Finally the administrative inefficiencies and external pressures should be remedied and maintenance and repair of failed equipment services set up. The city has the infrastructure for a good medical service and its potential should be developed. The Family Planning progress in the State is reported by the Department of Health. The February Bulletin of the State Family Planning Bureau reports a decline in all family planning operations, with a sharp fall in sterilisation operations for the period April–December 1973 compared to April-December 1972. Sterilisations fell from 2,23,838 in April–December 1972, to 43,199 in April–December 1973. IUCDs from 17,696 to 16,658 and conventional contraceptives users from 76,287 to 62,302. The district where the decline was the largest were Chingleput (23.19 per cent of the target) Tirunelveli (29.36 per cent), Thanjavur (32.63 per cent), Dharmapuri (33.19 per cent), North Arcot (33.48 per cent), and Ramanathapuram (38.82 per cent). There is a coincidence between the backward areas in the State and the low rate of acceptors. Hence it is with some regret that we note that the Union government on the basis of the actual performance last year has reduced the family planning targets from 33 lakh sterilisations to 20 lakh sterilisations, 9 lakh IUCD insertions to 6 lakhs, and 49 lakh conventional contraceptions to 35 lakhs. This is not the time to reduce our targets in this decisive developmental field. The critique that resources are being wasted on nuclear explosions when the explosion that should be contained is that of the population is irrelevant because it is not resources that family planning lacks. It needs a national and social will on the one hand and an economy which is relieving poverty to make family planning viable. The World Bank aided U.P. and Karnataka family planning project at a cost of Rs. 22 crores covering a population of 10 millions in each State is bringing to light the problems of motivation, infrastructure, nutrition and the post partum approach as the essential components that need to be dealt with to make the programme effective.

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V. Employment

The 60 per cent power cut and the railway strike to a lesser extent resulted in May in the majority of 5 lakh labour force in the State's organised sector being jobless for four days in the week. They were paid 50 percent of their wages as lay off compensation. The tyre and sugar company workers were in a privileged position as in the former case they had power supplied by Kerala and Karnataka, and in the case of sugar their own power from bagasse. The cement factories workers were the worst hit as noted in the industrial development section, mainly because of the coal famine which the railway strike aggravated. The textile workers were also affected because of the power cut and the railway strike. Most of them have their own generators and if the 60 per cent cut was uniformly applied they would have got power from the grid for 3 days and used their generators for the other 3 days. However under the zonal system wherein power is supplied to each zone for three weeks, they lost out and had to cut employment and production by 25 per cent. The problem of unemployment in the Country as noted in the last issue, Vol. IV page 384 is growing at an alarmingly rapid pace. In fact the I.L.O. Director General who estimates that 75 million people are without work and a further 300 millions have only part time employment in our world warns of a world wide threat of economic recession if the unemployment problem is not seriously tackled. The State government is executing this year a Rs. 11 crore crash programme as noted in the State section, of rural employment for 50,000 persons through the schemes for providing protected water supply to villages, irrigation facilities and link roads. Rs. 3 crores will be used for employment on desilting and deepening irrigation tanks, raising their bunds and constructing channels, Rs. 5 crores for water supply and Rs. 2 crores for protected drinking water to the 2,230 villages which have no such faciiity. The link road programme will link 6,000 villages with the highways and provide employment to 20,000 persons. The National Productivity Council is establishing productivity boards for key industries to improve production and productivity. Such boards comprising management, trade unions and professional men are being set up in fertiliser, coal and textile industries to start with. Further Tamil Nadu is one of six States where NPC consultancy services are to be established to aid small scale units. The Council has been allocated Rs. 1.5 crores during the Fifth Plan for this purpose and is to undertake some time bound projeets to improve productivity in the use of fuel, scarce materials like steel, cement, non-ferrous metals, sulphur, fuller utilisation of installed capacities and proper maintenance of plants and equipment as means to increase labour productivity. In this connection in the Soviet Union, along lines of shramdan, the workers all over the Country worked on a holiday in April which was Lenin's birth anniversary and turned out industrial products worth 683 million roubles. Nearly 138 million workers participated in the Shramdan and earned over 200 million roubles, which have been chanelled to improve mother and child welfare services and extend technical vocational and secondary school complexes in order to increase the Country's skilled manpower. The Union government has approved a CSIR scheme to attract back to India, Indian scientists, technologists and engineers who are employed in R & D and industrial establishments in foreign countries. These scien-

tists, engineers and technologists who after completing their studies are working abroad in production or management positions due to lack of employment opportunities at home are offered a package of incentives similar to the entrepreneurship development scheme being operated by the Ministry of Industrial Development. The facilities in the package are: (a) they can keep their foreign exchange earnings in a foreign bank for 3 years instead of 30 days: (b) the foreign exchange can be used to import equipment, machinery capital goods and raw materials without the DGTD essentiality and availability certificate; and (c) a simplified procedure will be adopted for licensing, clearance and issue of import licenses. If the scheme is operated, effectively, there will be a sizeable response from the Indian community of scientists and engineers now serving abroad.

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VI. Other Items

Indian Economic Association:

The Draft Constitution of the Association and the rules are being finalised at the fourth and last meeting of the Constitution sub-committee in Madras on June 19, after which they will be circulated to the members by the Hon. Secretary for voting at the Annual General Body meeting in Waltair in December. Negotiations are underway for the four Economics professors from Europe and U.S.A. to visit India at the time of the Conference and Seminar and to visit the various university centres. The Seminar on Improved teaching of Economics in Waltair under the Chairmanship of Dr. B. Sarveswara Rao, Professor and Head of Department of Economics, Andhra University on December 30 and 31 is being financed by the UGC. Of the 30 Professors invited, the following had sent in their acceptances by the end of May: Prof. Alokh Ghosh (Calcutta University), Prof. Prasanta K. Patanaik (Delhi University), Dr. T. K Meti (Karnatak University), Dr. C. T. Kurien (Madras University), Mr. Asit Kumar Bhattacharya (Calcutta University), Dr. Sabnis (Bombay University), Dr. Mohammed Mohsin (Calicut University), Dr. D. T. Lakdawala (Bombay University), Dr. P. R. Brahmananda (Bombay University), Mr. T. C. Mohan (Madras University). Dr. Y. K. Alagah (Sardar Patel Institute of Economics and Social Research, Ahmedabad), Prof. Madiah (Mysore University), Dr. P. G. K. Panikkar (Kerala University), Mr. R. K. Sinha, (Birla Institute of Technology and Science, Rajastan).

Tata Institute of Social Sciences:

The final meeting of the Review Committee of the Tata Institute of Social Sciences was held in Bombay on May 6 at which the report of the Committee was discussed and adopted. The report is in two parts. The first volume contains an analysis of the functioning of the Institute which the Committee holds to be of a high order of academic excellence, a review of

its teaching, research, and academic organisation on which recommendations are made for reorganisation, reform and initiation of new programmes and structures as appropriate. The financial implications of the recommendations constitute the last chapter. The second volume contains the papers produced for the Committee and those written by its members for its work. The report has been forwarded by the Chairman to the President of the Board of Governors of the Institute.

Asian South Pacific Bnreau of Adult Education :

A meeting of experts to draw up a manual for adult educators and establish a blueprint for a Regional Institute of Education, Training and Research was called by the Asian South Pacific Bureau of Adult Education in Delhi during May 4 to 10 Attended by Adult educators from 7 Asian countries and aided by the Frederich Neuman foundation, the meeting established guidelines for the development of a series of manuals for various types of adult education programmes and specialists. It also decided to establish two regional centres for acting as co-ordinating and promoting instruments of adult education in Asia. The first centre is to be established at Kuala Lumpur, which will also become the headquarters of the Bureau. The Kula Lumpur centre will have a director and 2 professional staff members from the region, After some time, a second centre will be established in Delhi.

International Council of Adult Education :

The Second Meeting of the Board of the International Council of Adult Education attended by twenty members from fourteen countries and observers from UNESCO and four international organisations met in Cologne on May 13th and 14th. The Board adopted the Constitution for the Council which defines its objective as the promotion of adult education as a means of contributing to peace, security, international understanding, the development of less developed countries and the reform and restructuring of the entire educational system in terms of life long continuing educatiou. It defined its membership as consisting of national adult education associations and regional adult education associations like the Asian South Pacific Bureau of Adult Education. It also has associate members without the right to vote, a limited number of individuals distinguished for their service to Adult Education, UNESCO, FAO and ILO and international non-governmental organisations which are involved in adult education. The Board admitted Netherlands, Eire and Scotland to membership at this session making the total membership of the Council 36. It decided that the Council should award an annual prize of $ 5,000 to a person making an outstanding contribution to some field of adult education and authorised the Secretary-General, Mr. Roby Kidd, to work out the conditions and procedures of the award. It endorsed the decision of the Asian South Pacific Bureau of Adult Education to establish an Asian Centre of continuing Education at Kuala Lumpur, Malaysia and transfer the headquarters of the Bureau to Kuala Lumpur, which will also act as the regional office of the international council. It voted funds to assist the calling of a Conference of the Asian and South Pacific Adult Education Associations in 1975 to review and support the work programme of the Kuala Lumpur Centre at which time the Secretary-General will also visit China, North and South Vietnam to secure their membership of the Council. The Council approved the Conference of National Adult Education Associations to

be held from September 9-13 in London as a means of strengthening and advancing the activities of the Associations. It also authorised the holding of a Conference from September 1-7 by the African Adult Education on Comparative Studies in Adult Education and a Conference on Adult Education and the Environment next year in co-operation with the United Nations Environment Programme. It requested the Secretary-General to explore the possibility of organising a regional seminar for the OECD countries on the contribution of post secondary tertiary education to the concept of permanent life long education. It authorised its U.S. member to continue discussions with the U.N. on adult education's role in the U.N. University and authorised the Secretary-General to propose a consortium of Universities specialised in adult education to the U.N. University. It reviewed the Council's publications programme which includes a periodic adult education bibliography (to which National Associations are requested to send one or two national bibliographies a year) the journal "Convergence" (which will have a running section, 'what is adult education,' in order to promote a dialogue on varying concepts and emphasis of adult education) and a monograph of comparative studies of adult education. The Board decided that its 1976 meeting which will coincide with the mid point of the Second Development Decade will make an assessment of the contribution of Adult Education to the Second Development Decade and will be held in Tanzania under the leadership of its Honorary Patron Julius Nyrere, President of the Republic of Tanzania. The Board was greatly helped and inspired in realising and acting on its international adult education vocation through its meeting in the Federal Republic of Germany which though its 1,150 folk high schools has the largest national network of adult education centres of any country in the world and which organised the work of the Council with generous hospitality and outstanding efficiency. Adult education is today on the march, a march in which the unending demands for peace and development are being learnt.

Comprehensive Schools :

A meeting of the educators, industrialists and legislators on May 10 was called by the Directorate of School Education to discuss and advise the government on the launching of the comprehensive schools programme as recommended by the State Planning Commission and referred to in the educational reform section earlier. The meeting drafted on eight point plan on comprehensive schools as follows.

1. The problems facing the State and Country are grave. The economy is not throwing up enough jobs, our culture gives eminence to university degrees and we are faced with a general unrest in every sector.

2. Within such a frame, there is need for a complete restructuring of education at all levels, primary, secondary, university, in-school, out-of-school. In such a reoriented scheme, educational administration should be decentralized and management be made free and flexible.

3. Comprehensive schools could be either.

(a) Bringing together under a single direction the three types of schools we have in say 14 centres to begin with, viz. the academic high school, the multipurpose diversified school and the junior technical high schools.

or

(b) Starting with restructuring say 50 or 60 multipurpose diversified schools.

The majority favour the latter. Both can be done.

4. The success of the comprehensive school demands.

(a) agreeing on when the student will decide on his specialisation.

(b) providing him with vocational guidance.

(c) deciding whether the training will be in the skills demanded by the modern sector.

5. The comprehensive school programme calls for training and retraining of teachers, constructuring new curricula, arranging for flexible change in a student's electives so that he can transfer from vocational to academic and vice versa, and modernising buildings, equipment and library.

6. The essential for not repeating the failure of diversified courses is preferenee to be given to comprehensive school graduates by (a) employers, (b) government departments in employment and (c) college principals in admission to college.

7. An advisory committee on comprehensive schools to the Director of School Education composed of industrialists and farmers, employing government departments, educationists and parent-teacher associations and a similar committee for each comprehensive school to advise on curriculum, training of teachers, specialisation etc. should be established.

8. The Chambers of Commerce are willing to conduct certifying examinations in the comprehensive schools. They should he encouraged to do so.

Visit of President Senghor of Senegal :

President Leopold Sedar Senghor and Mrs. Senghor visited India from May 19-26 and after spending 3 days in Delhi, Kashmir, Agra and Bangalore, stayed in Tamil Nadu which was the reason for the President's visit (See Vol. III page 272). The main purpose of his visit to this State was, he said, to meet the Tamil People, see for himself something of our cultural life and institutions and discuss with our intellectuals means and methods of strengthening the time honoured and historical common origins of Dravidian and Negro-African history and culture. President Senghor was the first Head of State to visit Tamil Nadu and engage in this kind of study and dialogue. For over 30 years he has been engaged in studies and research into Dravidian and Negro African languages and cultures. During his stay he had a 3 hour discussion with some 25 Tamil Scholars, delivered a public lecture on the results of his research into Dravidian and Negro African history and linguistics and saw something of Tamil architecture, art, dance and music. The address of welcome presented to him called attention to the unique honour done to Tamil Nadu in that he was the first Head of State to visit the State and engage in a study of its people. He was one of three heads of State or Government who was simultaneously a poet, scholar and statesman. His high literary qualities had been recognised by 19 universities to which India's Sahitya Academy had added its tribute by making him a fellow. He was, like us, a fellow fighter for the freedom of colonial peoples and on emerging from the Nazi concentration camp led the fight of his Country, Senegal, and his continent, Africa for

independence and is today at the forefront of the Third World's battle against poverty and for development. His unique doctrine of Negritude has given and was giving Black people everywhere a sense of mission and vocation He was one of the first supporters of the International Institute of Tamil Studies which had arranged his public lecture in Madras and which looked forward to his continuing advice and patronage. In welcoming him, Tamizhagam was welcoming a great negro, a great Dravidian and a great man. He was in his home here in Tamizhagam. The President in his turn referred to his research over 30 years into Dravidian linguistics, going back to the Harappa and Mohenjodaro scripts which demonstrated the common basis between the ancient Negro, Egyptian, Sumerian and Dravidian peoples, languages and cultures. He regretted the absence of Africa at the 4 sessions of the World Tamil Conference at Kuala Lumpur (1965), Madras (1968), Paris (1970) and Jaffna (1972) because unlike the European and North American scholars who participated in these conferences to discuss Tamil History and linguistics, Negro-African scholars had common links with Tamil civilization. He pointed out that the linking of Tamil and the proto-Dravidian, Indo Sumerian scripts with uralo-Altaic languages by Finnish scholars was only partially helpful as the major links of the Dravidian languages were with Negro-African languages. He announced that Senegal would invite the World Tamil Conference to hold its 1978 session at Dakar at which African scholars will join with world scholars in further diffusing the heritage and greatness of Tamil language, history and culture. Mr. Senghor said that there is need for research not only into Dravidian and Negro-African linguistics which is being carried out by the Senegalese Professor in linguistics Cheikh Tidiane N' Diaye at Annamalai University and by Dr. Upadya in the Indo-African section of Dakar university, there is also need for research and studies into Tamil and Negro archaeology, geology, art and music, philosophy, religions and trade and commerce. He would use the Indo-Senegal cultural co-operation arrangement signed during his stay in Delhi to arrange for an exchange of historians, archaeologists, dance and music specialists economists and philosophers to promote the urgently needed study and investigation to this multifaced Dravidian Negro relationship. In response to fears that the hierarchical, almost racist element in Indian culture might endanger the closer cultural ties which President Senghor was anxious to promote between Dravidian and Negro cultures, the President pointed out that Dravidian culture was a classless culture as was the ancient Negro culture. As the contact of Negro culture with Arab culture brought in hierarchical elements, so the penetration of Aryan culture among Dravidian people introduced similar elements. But such unequal theories and social structures have to be discarded and are being discarded as we return to a sence of our glorious egalitarian past. It was in consideration of this kind of truth that he invited India to be represented by a delegation from Tamil Nadu at the Second World exposition of Negro art to be held in September this year at Nigeria where the common egalitarian nature of Negro-African Culture like that of Dravidian culture will be demonstrated. The President's attention was called to the danger of cultural revivalism which too much stress on Negritude or Dravidianism might involve. The President pointed out that all cultures today are both inter-related and open. The greatness of India was the confrontation of the two great cultures—Aryan and

Dravidian, It was Indias's genius that she had at its head a great Aryan personality, Smt. Indira Gandhi as its leader, a leader who realises and recognises the uniqueness of Dravidian culture and the solid and strong contribution that Tamil people through their art and music, their government, industry and trade are making to the totality of India. As long as there is this kind of cultural confrontation and enriching dialogue, Dravidian culture like its cousin, the African-Negro culture, will never turn inward but will be constantly giving and receiving from others. He commended the renaissance of Tamil culture that characterises the present times. The President was fascinated in examining the classical Tamil musical instruments in which he found some fundamental similarities with those of Africa. Carnatic music as demonstrated by Thiru. Chittibabu and Bharatanatyam as demonstrated by Selvi Padma evoked for him similar basic rhythms in African music and dance into which Arab and European influences later penetrated in the case of Africa and Aryan nuances in the case of Dravidian music and dance. The South Indian bronzes that he saw in the museum and the temple at Mahabalipuram were for him embodiments of the sensuality and sensitivity of the Dravidian people. The President's dialogue with Tamil Scholars and people brought to them a new understanding of the genius and greatness of Black people and to the President a new sense of the oneness of the great Dravidian and Negro African peoples.

Andhra University Social Sciences Review Committee:

The Andhra University Social Sciences Review Committee (See Vol. III pages 128-129 and 590) has had all its seven members submit to the Chairman their individual reports on the functioning and future of the eight social science departments — Economics, Co-operation and Applied Economics (by Dr. K. N. Raj), Politics and Puhlic Administration (by Dr. M. Abel), Sociology and Social Work, Anthropology (by Dr. M.S. Gore and Dr. M.S.A. Rao), Commerce (by Dr. Ravi Mathai), Psychology (by Dr. S.P. Adinarayan) and Law (by Dr. L.M. Singhvi). Toward the end of May the Chairman and Secretary of the Committee established the draft report on the 8 social sciences departments together wlth recommendations on the general problems faced by them and circulated the draft report to the members of the Committee. The Committee will hold a final meeting in the Seminar Room of MIDS on June 8 and 9 to finalise and approve the report.

June Development Seminar :

The June Seminar Paper, Backward Class Welfare by Prof. S. Ramanathan, Joint Director (Projects) of the Madras Institute of Development Studies, together with a summary of the discussion of the paper under the chairmanship of Dr. K.K. Pillai, Director, Institate of Traditional Cultures appears as the first article.

Second Article :

A paper on Inflation and the Fifth Plan appears as the second article.

BACKWARD CLASS WELFARE

By

Prof. S. Ramanathan,

Madras Institute of Development Studies

SCHEDULED CASTES IN TAMIL NADU

Section A: Definition/Description of Scheduled Castes

A general or sociological definition of Scheduled Castes is not to be found in any literature. According to a working description in the Constitution of India, Scheduled Castes mean the "castes, races or tribes or parts of or groups within castes, races or tribes" as are declared to be Scheduled Castes by the President of India by public notification under Article 341 (1) of the Constitution and as modified, by the Parliament under Article 341 (2). 'Untouchability' having been abolished through Article 17 under Fundamental Rights in the Constitution, no direct reference was made to it in declaring the castes, races or tribes or parts of or groups within them as Scheduled. The Census enumeration is also based on this working description.

Section B: Constitutional Provisions relating to Scheduled Castes

B.1 Articles 330 and 332 of our Constitution have provided for reservation of seats for Scheduled Castes, proportionate to their population, in the House of the People of the Parliament and in the Legislative Assemblies of the States respectively. Article 334 restricted such reservations for a period of ten years from the commencement of the Constitution, i.e. January 26, 1950. But, this period has so far been extended twice, each for a ten-year period, through the Eighth and Twenty-third Constitutional Amendments in 1959 and 1969 respectively. It remains to be seen whether this kind of an extension of the period is to be a routine matter every ten years. Articles 330 and 332 do not preclude members of Scheduled Castes from contesting seats in the general constituencies.

B.2 Article 335, free from any time limitation, has specifically provided for the consideration of the claims of Scheduled Castes for appointment to services in the Union and State Governments, and this has been facilitated through the proviso to Clauses (3) and (4) of Article 320 relating to Public Service Commission. At the executive level, a quota of 15% of the vacancies to be filled through the Union Public Service Commission or by competitive examinations, and 16.66% of the vacancies to be filled in any other manner are reserved for the candidates from Scheduled Castes. Further, concessions such as relaxation in the age limit and in the standard of suitability and of qualifications and selection subject to fulfilling the minimum standard of efficiency have been provided for Scheduled Castes candidates. These provisions do not preclude Scheduled Castes candidates from competing with candidates from other communities for the vacancies to be filled from the general pool.

B.3 Clauses (1) and (2) of Articles 15 and 16 under Fundamental Rights prohibit

discrimination against any citizen on grounds of religion, race, sex or place of birth and provide for equality of opportunity in matters of public employment.

B.4 Clause (2) of Article 29 under Fundamental Rights reads, "No citizen shall be denied admission into any educational institution maintained by the State or receiving aid out of State Funds on grounds only of religion, race, castes, language or any of them", while Article 46 under Directive Principles of State Policy enjoins on the State to "promote with special care the educational and economic interest of the weaker sections of the people, and, in particular, of the Scheduled Castes and the Scheduled Tribes, and protect them from social injustice and all forms of exploitation". The inherent conflict between the provisions of these two Articles came into the open in 1950. A State Government Order fixing a certain number of seats in a government educational institution for different castes was challenged. In the appeal that came up before the Supreme Court (State of Madras vs. Smt. Champakam Dorairajan, 1951), the Court declared the Government Order as unconstitutional since it offended Clause (2) of Article 29 under Fundamental Rights. The Supreme Court judgment led to the inclusion of Clause (4) to Article 15 through the Constitution (First Amendment) Act, 1951, reading, "Nothing in this article or in clause (2) of articles 29 shall prevent the State from making any special provision for the advancement of any socially backward classes or citizens or for the Scheduled Castes and the Scheduled Tribes". Thus, 'socialistic precepts' in Directive Principles of State Policy gained precedence over 'classic liberal principles' in Fundamental Rights of the Constitution.

B.5 Article 338 has provided for the appointment of a Special Officer by the President to investigate all matters relating to the safeguards provided for Scheduled Castes and Scheduled Tribes under the Constitution, while Article 340 has provided for the appointment of a Commission by the President to investigate the conditions of the socially and educationally backward classes and to make recommendations.

B.6 The implementation of Article 17 through which 'untouchability' was abolished and was made an offence punishable in accordance with law has been sought through the Untouchabilty Offences Act, 1956.

Section C : Population of Scheduled Castes and its Characteristics

C.1 In the list attached to the Presidential Order, 1956, there are 79 names of Scheduled Castes for Tamil Nadu with the specific areas within which each of them is to be treated as Scheduled Castes. This list formed the basis of Census enumeration of Scheduled Castes in 1961 and 1971. Only 67 of the 79 Scheduled Castes were enumerated in the Census of both 1961 and 1971. "...some major Castes get repeated whether as synonyms or as subsects" in the list of names of Scheduled Castes for Tamil Nadu was the explanation for not enumerating 12 Castes (Census of India, 1961, Vol. IX, Part V–A (i), page 19). Further, 205, 430 persons, returned under generic names like Scheduled Castes, Harijans, etc., in 1961 were treated as unclassified for the purpose of caste distribution.

C.2. Only 6 of the 67 enumerated Scheduled Castes do not have any 'area restriction', i.e. those belonging to those 6 castes are to be treated as Scheduled Castes throughout the State. In the case of the other 61 castes, those who, on the day of Census enumeration, happened to be outside the areas specified for them, had

to be left out in the enumeration. For example, Pannadi and Vathirian are Scheduled Castes only in Coimbatore and Salem districts and cease to be so in the other districts of the State. "...on the advice of the Registrar General, we have restricted the number to those censused in the areas specified for each Scheduled Caste or Scheduled Tribe. Such a strict application of areas was not in force in 1951 as no area restriction existed then. To this extent the comparability of figures of 1951 and 1961 has been affected" (Census of India, Volume IX, Part V—A (i) page 12). If area restriction did not exist in 1951, it is not known how strict or lenient application of areas could have arisen.

C.3 In the Census enumeration, converts from Scheduled Castes to other religions were not treated as Scheduled Castes, while converts from Scheduled Tribes to other religions were treated as Scheduled Tribes.

C.4 Scheduled Castes population accounted for 18.01% and 17.76% of the total population of Tamil Nadu in 1961 and 1971 respectively. In the matter of Scheduled Castes population, Tamil Nadu ranked fourth and fifth among all the States and Union Territories in 1961 and 1971 respectively, while in the matter of the total population, Tamil Nadu ranked sixth and seventh in 1961 and 1971 respectively. Tamil Nadu with 18.01% and 17.76% of Scheduled Castes population in 1961 and 1971 respectively, ranked first among the four southern States. The population of Scheduled Castes in Tamil Nadu constituted 9.4% and 9.2% of the total Scheduled Castes population in India, as against the 7.7% and 7.5% in the case of the general population of India in 1961 and 1971 respectively.

C.5 A two-fold criterion was used to determine the districts of concentration of Scheduled Castes members. One was on the basis of Scheduled Castes population in a district as a percentage of the total population of that district, and the other was on the basis of Scheduled Castes population in a district as a percentage of the total Scheduled Castes population in the State. The six districts of concentration of Scheduled Castes population, both in 1961 and 1971, were found to be South Arcot, Thanjavur, Chingleput, North Arcot, Tiruchirapalli and Coimbatore. These six districts accounted for 64.1 and 63.7% of the total Scheduled Castes population in the State in 1961 and 1971 respectively.

C.6 About 85% and 83% of Scheduled Castes population, as compared to about 71% and 67% of non-Scheduled Castes population, was found to be living in the rural areas of the State in 1961 and 1971 respectively. Non-Scheduled Caste population is the total population minus Scheduled Caste population.

C.7 Caste-wise tabulation in the 1961 Census has revealed that 9 of the 67 enumerated Scheduled Castes accounted for 92.79% of the total Scheduled Castes population in the State, as shown below :

Name of Caste	As % of total Scheduled Castes population in the State	
1. Adi-Dravida	29.06	
2. Paraiyan	24.95	
3. Pallan	15.66	
4. Chakkiliyan	12.82	... 82.49
5. Kudumban	4.08	
6. Samban	2.25	
7. Arunthathiyar	1.65	
8. Kuravan	1.29	
9. Valluvan	1.03	
	92.79	
58 other Castes (3.83) & Caste-wise unclassified 3.38	7.21	
	100.00	

It may be noted that each of the Castes listed above had more than 1% of the total Scheduled Castes population in the State, and the four most populous Castes, each having a population of more than 10% of the total Scheduled Castes population, accounted for 82.49%. The population of each of 14 Castes was a double digit figure ranging between 10 and 96 accounting for a total of 529 persons, while the population of each of 9 Castes was a single digit number ranging between 1 and 8 and accounting for a total of 35 persons. The population of 3 of these 9 Castes was just 1.

C.8 The decennial growth rate between 1961 and 1971 for Scheduled Castes population was 20.57%, as compared to the 22.01% for non-Scheduled Castes population, and the growth rate for the total population was 22.01%.

Section D: Literacy among Scheduled Castes

(The Census definition that a person is considered to be a literate if he is able to read and write is adopted here).

D.1 The persentage of literacy among Scheduled Castes was 14.66, as compared to 35.09 among non-Scheduled Castes and 31.41 for the total population of the State in 1961. The percentage of literacy among Scheduled Castes in the urban and rural areas of the State in 1961 was 26.35 and 12.56 respectively, as compared to 52.61 and 27.86 for non-Scheduled Castes and 49.91 and 24.67 for the total population in the State. The percentage of literacy among Scheduled Castes females in the urban and rural areas was 13.96 and 4.23, as compared to 39.29 and 13.49 among non-Scheduled Caste females and 36.67 and 11.57 for the total female population in the State.

D.2 The districts of Madras and Kanyakumari ranked first and second with 39.66% and 36.99% of literacy among Scheduled Castes. Madras happens to be the capital district of the State having urban areas only, while Kanyakumari was part of Kerala prior to the re-organisation of the States. These two districts also ranked first and second with 62.27%, and 49.06% of literacy among non-Scheduled Castes. Salem district was the most backward from the point of view of literacy both among Scheduled Castes and non-Scheduled Caste with 9.34% and 21.68% respectively.

D.3 The six districts of concentration of Scheduled Castes population (South Arcot, Thanjavur, Chingleput, North Arcot, Tiruchirapalli and Coimbatore) which accounted for 64.1% of the total Scheduled Castes population in the State in 1961, accounted for 80.71% of the total literates among them.

D.4 As for caste-wise literacy among Scheduled Castes, the four most popu-

lous Castes accounted for 81.19% of literates among Scheduled Castes, while the nine Castes, each having a population of more than 1% of the total Scheduled Castes population in the State, accounted for 92.10% of all the literates among Scheduled Castes in 1961, as shown below :

	Name of Caste	*Percentage of literates*	
1.	Adi-Dravida	33.07	
2.	Paraiyan	25.58	
3.	Pallan	17.23	
4.	Chakkiliyan	5.31	... 81.19
5.	Kudumban	4·05	
6.	Samban	1.83	
7.	Arunthathiyar	1·47	
8.	Kuravan	1.16	
9.	Valluvan	2.40	
		92.10	
	Literates among the other 58 Castes and among the caste-wise unclassified	7.90	
		100.00	

The nine Castes listed above accounted for 92.79% of the total Scheduled Castes population in the State, as pointed out in an earlier context.

D.5 Caste-wise percentage of literacy in relation to caste-wise percentage of population for the nine most populous Castes is shown below :

	Caste	*As % of Scheduled Castes population*	*As % literates among Scheduled Castes*
1.	Adi-Dravida	29.06	16.99
2.	Paraiyan	24.95	15.03
3.	Pallan	15.66	16.13
4.	Chakkiliyan	12.82	6.07
5.	Kudumban	4.08	14.62
6.	Samban	2.25	11.89
7.	Arunthathiyar	1.65	13.12
8.	Kuravan	1.29	13.19
9.	Valluvan	1.03	34.20

It is to be noted that the numerically smaller Castes had a higher rate of literacy within their Castes than the numerically bigger Castes. To emphasise this point, Paraiyan Caste ranked first with its Caste percentage of literacy of 38.97 while that Caste accounted for only 0.06% of the total Scheduled Castes population in the State. The size of the Caste population cannot be ignored while studying the characteristics of that Caste.

Section E : Scheduled Castes Pupils

E.1 The number of Scheduled Castes pupils accounted for 12.86%, 2.62%, 1.33% and 0.18% of the Scheduled Castes population in the State in the Primary School, Middle School and High School stages and in colleges/universities for general education respectively, as compared to 12.67% 3.41% 1.82% and 0.49% in the case of non-Scheduled Caste pupils in 1971, and the co-efficient of equality for Scheduled Castes was 101.50, 76.92, 73.23 and 36.39 in the Primary School, Middle School and High School stages in colleges/universities for general education respectively. It may be pointed out that in the percentage enrolment of Scheduled Castes pupils in relation to Scheduled Castes population, the district of Kanyakumari ranked first in Primary School stage with 40.24, in the Middle School stage with 15.52 and at the post-matric stage with 1.54, while the district of Madras ranked first at the High School stage with 3.51, and the district of Kanyakumari also ranked first in the percentage enrolment among non-Scheduled Castes in the three stages of school education with 14.64%, 4.46% and 2.94%.

E.2 The six districts of concentration of Scheduled Castes population, which accounted for 63.7% of the total Scheduled Castes population in the State in 1971, accounted for 59.70%, 57.57%, 57.51% and 48.63% of Scheduled Castes pupils in the State in the Primary, Middle and High School stages and in colleges and universities respectively.

E.3 It is common knowledge that not all the pupils who join schools complete the entire school course or even a particular stage in school education. It is known that some pupils discontinue studies and some others, unable to make the grade, spend two or more years in the same class. For the sake of convenience, the term drop-out is used here to denote those who discontinue studies and those who spend more than a year in the same class. In Tamil Nadu, Middle School stage ir of three years' duration consisting of Standards VI to VIII, while High School stage, also of three years' duration, consists of Standards IX to XI. Consequently, three successive academic years were taken to compute the rate of drop-out for the Middle School and High School stages, taking 1970-71 as the base year for Standards VI and IX. It is found that the drop-out rate for Scheduled Castes and non-Scheduled Castes pupils in the Middle School stage was 27.7 and 34.0 respectively. Sex-wise, the drop-out rate for boys and girls was 29.4 and 24.3 respectively among Scheduled Castes pupils, as compared to 32.3 and 36.3 in the case of non-Scheduled Castes pupils. The drop-out rate between Standards VII and VIII for Scheduled Castes girl pupils was higher at 24.2 than for boys at 18.9, while in the case of non-Scheduled Castes pupils it was 36.3 for girls and 32.3 for boys. The drop-out rate is higher in the case of non-Scheduled Castes pupils than for Scheduled Castes pupils at the middle school stage. In the High School stage, the rate of drop-out was 38.6 and 32.7 among Scheduled Castes and non-Sche-

-duled Caste pupils respectively. Sex-wise, the drop-out rate was 36.9 and 42.7 for Scheduled Castes boys and girls respectively as against 32.9 and 32.8 among non-Scheduled Caste boys and girls. The drop-out rate for Scheduled Castes pupils is lower in the Middle School stage and higher in the High School stage.

Section F : Educational Institutions

F.1 As of 1971-72. in addition to the 26,159, 5,858 and 2,613 primary, middle and high schools respectively in the State, there were 745, 77 and 11 government primary, middle and high schools for Scheduled Castes pupils. It may be pointed out that there are no high schools at all in 2 of the 6 districts of concentration of Scheduled Castes population, namely, Coimbatore and North Arcot. It is not known how well dispersed these institutions are in the rural parts of the various districts, and the number of high schools and middle schools does not seem to be proportionate to the number of primary schools. For example, for the 168 primary schools in South Arcot district, which are feeder schools to the middle schools, there are only 6 middle schools. It is also seen that there is a very substantial drop between the number of pupils in the primary schools and middle schools. The fact that the number of pupils in the high school stage in South Arcot district is much higher than in the middle school stage may indicate that pupils from the adjoining districts join the high schools in South Arcot.

Section G : Government Hostels for Scheduled Castes Pupils

G.1 The number of cosmopolitan general hostels attached to high schools is not available. But, it is known that several of the relatively bigger high Schools have hostels attached to them.

G.2 There were, as of 1972, 468 Government hostels for Scheduled Castes high school pupils (328 for boys and 140 for girls), besides 55 Government subsidised hostels. The fact that there are only 11 Government high schools for Scheduled Castes, as pointed out in the above Section, and the fact that there are 468 Government hostels for Scheduled Castes high school pupils may indicate that most of these hostels are located near those high schools which do not have hostels attached to them. There has been an increasing emphasis in providing more hostels for Scheduled Castes pupils. The Chief Minister of Tamil Nadu declared in the Legislative Assembly on 9-4-1974 that 100 more hostels for Scheduled Castes pupils would be constructed with the help from Canara Bank and the Indian Bank.

G.3 In the Government hostels for Scheduled Castes pupils 75% of the seats are allotted to Scheduled Castes pupils, 20% to pupils from backward classes and denotified tribes and 5% to pupils from other communities to promote integration among them.

Section H : Scheduled Castes Workers and their Occupation

H.1 As of 1961, about 52% (3,134,345 out of 6,067,327) of Scheduled Castes people constituted the labour force among them. On the basis of their occupational activities, 94.37% 1.86%, 0.85% and 0.20% were unskilled workers, skilled workers, administrators (executives, clerks etc.) ane professionals respectively, and among the unskilled workers the largest single group was agricultural labourers with 43.83%. The

co-efficient of equality for Scheduled Castes workers was 155.31, 22.01, 22.87 and 17.03 for unskilled workers, skilled workers, administrators, etc. and professionals respectively. Based on this, it is not difficult to imagine the general economic status of Scheduled Castes as a whole.

H.2 0.78% and 0.52% of Scheduled Castes unskilled workers are engaged in scavenging and tanning respectively, which are considered as 'menial' type of work.

H.3 Among the cultivating households among Scheduled Castes, as of 1961, 24.51% and 42.05% cultivate land (dry/wet) less than 1 acre and less than 2.5 acres respectively. Small holdings, it is known, are not very rewarding.

Section I: Major Findings, Comments and Suggestions

I.1 The list of names of Scheduled Castes for Tamil Nadu attached to the Presidential Order, 1956, needs to be modified. Twelve of the 79 Scheduled Castes listed were not enumerated in the Census of both 1961 and 1971 since it was found that those names were synonyms of major castes or of sub-sects.

I.2 The 'area restriction' for Scheduled Castes within the State needs to be removed. To consider a person as belonging to a Scheduled Caste while in a specified area and not to consider him so while in another district or taluk based on area restriction, within the State is utterly incongruous. The area restriction distorts the caste-wise population and the population of Scheduled Castes as a whole. The area restriction is bound to affect the mobility of Scheduled Castes members within the State and sometimes within the same district due to fear of losing special privileges.

I.3 The concept that members of Scheduled Castes who embrace other religions cease to belong to Scheduled Castes needs to be re-examined, and, more particularly, when the same yardstick is not applied to Scheduled Tribes.

I.4 Concentration of efforts to improve the lot of Scheduled Castes, and, in particular, the educational advancement of Scheduled Castes pupils would yield better and quicker results. Further, starting of vocational institutions suited to the particular needs of those districts would be necessary. That a very high percentage of Scheduled Castes people live in the rural areas would have to be borne in mind in this regard.

I.5 De-scheduling the very minor Scheduled Castes, the population of each of which is less than 1% of the total population of Scheduled Castes in the State is a necessity. Such a step would lead to some kind of a cohesion among Scheduled Castes themselves, facilitating their eventual assimilation in the main stream of national life. In the Census of 1961, 2,05,430 Scheduled Castes members, constituting 3.38% of Scheduled Castes population in the State, preferred to be returned under generic names like Scheduled Castes, Harijans, etc. This would indicate that they are not particular about, or even averse to, caste names. De-scheduling the very minor Scheduled Castes would give further impetus to this healthy trend. It may be recalled in this context that 58 numerically small Scheduled Castes accounted for only 3.83% of Scheduled Castes population in the State. To think in terms of equity or parity in the advancement among the various Scheduled Castes, as is suggested by some scholars, will be utopian. If the number of Scheduled Castes is a relatively smaller number, it may be possible to reduce

inequalities among them. Emphasis on individual Scheduled Castes would lead to caste rigidity, prevent any kind of cohesion among themselves and defeat the very objective of integration Further, the numerically smaller Scheduled Castes are able to shift for themselves better than the numerically bigger Castes.

I.6 Adult education programmes in the rural parts of the State must be intensified. Such programmes for Scheduled Castes females is necessary because of the fact that only 4.29% of Scheduled Castes females in the rural parts are found to be literate, as of 1961.

I.7 Efforts are necessary to increase the percentage enrolment of Scheduled Castes pupils in the middle and high school stages since the co-efficient of equality for them was only 76.92 and 73.23 at those two stages respectively.

I.8 The drop-out rate in 1972-73 in the high school stage was 38.6 and 32.7 among Scheduled Castes and non-Scheduled Caste pupils respectively. The drop-out rate would be substantially reduced if arrangements are made for special coaching facilities both for hostellers and day-scholars, irrespective of caste considerations.

I.9 It is found in some Studies that Scheduled Castes pupils have become acceptable in the cosmopolitan/general hostels attached to high schools and colleges in Tamil Nadu. It would, therefore, be desirable that the Government construct cosmopolitan/general hostels, instead of hostels for Scheduled Castes, in the future. Such a step would lead to greater intermingling of pupils from the various communities.

I.10 The professionals, administrators, etc. and skilled workers in the labour force of Scheduled Castes, as of 1961, was 0.20%, 0.85% and 1.86% respectively as compared to 1.14%, 3.69% and 8.35% in the labour force of non-scheduled Caste. Only education would enable the Scheduled Castes members to climb up the occupational ladder to catch up with non-Scheduled Caste people. In the matter of distribution of cultivable land to Scheduled Castes members the size of the holding so distributed must be rewarding in actual cultivation.

I.11 Suitable alternate arrangements for the 'menial' type of work like scavenging done by some members of some of the Scheduled Castes must be made without any further delay. The association of such 'menial' type of work with Scheduled Castes in the minds of non-Scheduled Caste people seems to be the main reason for social discrimination against Scheduled Castes members. The social discrimination can be eradicated only by eliminating the cause, and not through Article 17 of the Constitution and Untouchability Offences Act, 1956.

I.12 Articles 330 and 332 of the Constitution have provided for reservation of seats for Scheduled Castes in the Lok Sabha and in the Legislative Assemblies. Such a provision in the Government of India Act, 1935, was vehemently opposed by our national leaders at that time on the ground that the purpose of that provision was to perpetuate the divide and rule policy of the then alien government. When the provision for a quota system for Scheduled Castes candidates for employment in the service of the government was introduced in 1934 or thereabouts there was the criticism that the then alien government was reducing Scheduled Castes to second class citizens. The same

quota system on a permanent basis has been sanctified in Article 335 of the Constitution. It would be worth our while to consider whether such provisions would be comparable with the concept of a secular state and whether such provisions would promote integration or whether they would result in generating and sustaining envy and hostility bewteen the various castes in the country.

I.13 It would also be worth our while to consider whether the time has not come for switching from 'positive discrimination' based on caste to 'positive discrimination' based on economic backwardness/poverty.

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Summary of Discussion

In the discussion of the paper at the Seminar held in the seminar room of the Institute on Thursday 27th of June, 1974, under the Chairmanship of Dr. K. K. Pillay, Director of the Institute of Traditional Cultures, Madras University, the Chairman observed that divisions were part of the social structure, but this status was hereditary in India and economic disadvantages were aggravated by countries of social discrimination. Further he felt that there did not appear to be much effort to improve their conditions by the Scheduled Castes themselves.

In presenting the paper the author stated that it reviewed Scheduled Castes Welfare in Tamil Nadu and not the wider field of backward classes. Scheduled Castes formed a substantial segment of this group. It would be useful to know if the special safeguards provided in the Constitution for the Scheduled Castes were compatible with the concept of a secular state or whether caste based welfare criteria would defeat the objective of national integration. It would be desirable to extend welfare programmes to cover all economically disadvantaged persons instead of reserving these for a few specific castes, however deserving they are. A welfare policy based on caste would create pampered groups and build up resentment amongst those not so favoured. An example of unhealthy group feeling was evident in the public advocacy of large families by Scheduled Castes leaders. A further feature was that provisions exist in the constitution for special parliamentary representation for a fixed number of years (now extended) and permanent provision for appointment to posts in Union and State Governments. He felt that the latter provision should be reviewed. In reviewing the demographic composition in Tamil Nadu it was pointed out that the total population of certain Scheduled Castes was in single digits. Another incongruity was the area restriction by which some castes were recognised as scheduled in some districts and not in others. Hence there is a strong case of de-scheduling of small castes and withdrawal of areas restrictions.

It was pointed out that Brahmins are being sharply criticised for their attitude towards the Scheduled Castes. This exclusiveness was equally *prevalent* among the higher non-Brahmin castes. There has been a gradual change in the last twenty-five years. Alternative policies, other than constitutional provisions, had yet to be formulated. It would be interesting to imagine what solutions Gandhiji would have worked out for the problems of social justice and national integration. In considering Scheduled Castes Welfare, a distinction must be made between economic and social aspects of the problem. Economically the majority of Scheduled Castes were in the lowest decile. Given the country's limited resources, Scheduled Castss should be given some compensatory facilities *for the discrimination* that they have been subjected to in the past centuries. Despite the Constitutional provisions not enough is being done to raise the standard of living of this group. The majority of Scheduled Castes themselves do not feel that their status has improved. Employment measures have been ineffective in dealing with their general poverty. In the programme of distribution of land, some priority could be given to Scheduled Castes. Moreover, some of the demeaning *occupations* followed by the Scheduled Castes could be mechanised. Further as the Scheduled Castes literacy was still very low, special efforts in the fields of adult education and functional literacy were necessary. A study by the Institute revealed that teachers of Scheduled Caste students feel that some of the facilities accorded are not being properly used. An opinion was expressed that the social and economic problems facing the Seheduled Castes would not be resolved until leadership of a dedicated non-political kind emerged from their own ranks. It was for such leadership to remedy the cultural backwardness and create the confident atmosphere to dispense with the safeguards and reservations. Education of Scheduled Castes and legislative provisions have probably contributed to a change for the better in the attitude of the non-Scheduled castes towards them. An indication of this change was the acceptance of the Scheduled Caste students in cosmopolitan hostels. This desirable trend should be encouraged by providing reservations in cosmopolitan hostels instead of establishing *exclusive* Harijan hostels, except in areas where there is concentration of Scheduled Castes. The question of continuing to accord special privileges to Scheduled Castes who had changed their religion was also discussed and the *considerable* influence of missionaries in the educational field was commented upon. The view was expressed that the association of Scheduled Castes at local and State levels in day to day decision making would considerably expedite their advancement. In Andhra Pradesh such a beginning has already been made.

The guidelines emerging from discussions are :

The rationalisation of Government Policy by removing the existing incongruous area restrictions and descheduling the numerically minor Scheduled Castes ; the expansion of Government educational and economic development programmes even though the ongoing programmes are commendable ; and increasing association of Scheduled Castes leadership with all areas of national life and planning future policies taking special care to discourage the tendency to promote the interests of one's own group.

INFLATION AND THE FIFTH FIVE YEAR PLAN *

The facts of Inflation :

The facts of inflation, the current state of hyper inflation, is known to all. To the man in the street the weekly rise in the price of his articles of food, of cloth, of kerosene, of newspapers has been his daily worrisome companion: to the student the rise in his mess bill every month and prices of text books and paper has been a source of anxiety, (a recent study of the Gujarat revolt sparked and sustained by students traces it to the rapid rise in the mess charges leading to an average monthly student indebtedness of Rs. 30/-): the industrialist has faced and is facing a constant increase in the price of cotton, fuel, steel, sponge iron, chemicals, groundnut if and when he can get them: those involved and interested in statistics know that in 1973 there was a 24 per cent rise in prices compared to previous 5-7 per cent per annum.

There are three aspects of this inflationary situation which are disturbing: (a) first it worsens inequalities and makes them inequitous. The poor and the fixed wage and income earner are hit hard as against the rich farmer who has a marketable surplus which he can hold back and sell at rising prices, the trader who can stockpile and hoard his goods to obtain higher prices and the well to do generally who are the gainers. (b) Second the real effect of inflation is not shown by the figure of 24 per cent. According to the index, food prices rose by 23 per cent but this 23 per cent is calculated on the basis of the government controlled (issue) prices for wheat, rice, sugar, edible oil. But in fact the majority have had to buy these food articles at much higher prices which are not reflected in the index. As for the medium and small industrialist, the 24 per cent rise does not apply to him. He has faced a 41 per cent increase in industrial raw materials leading to a worsening of the terms of trade of industry against agriculture. (c) The third and the most disturbing aspect is that despite a good Kharif harvest and the prospect of a fairly normal rabi crop, there seems to be no abatement of the inflationary spiral in the first 3 months of this year, 1974. From January to March the index has been moving up at 3.5 to 4 points per month which averages 20 per cent for this year. This continued rise is disturbing because the full effect of the 300 per cent rise in oil prices has not as yet hit the entire price structure. The prices of kerosene, petrol, HSD, naphtha and lubricants have gone up but their effect in raising the prices of transport, power, cement, textiles, petrochemicals, pharmaceuticals, industrial products, food grains, alternatve fuels has not yet taken effect and will certainly push further upward the 20 per cent annual rise that I have projected on the basis of the price trend in January to March of this year.

Causes:

What then are the causes of this serious inflation confronting the country ?

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* Extracts from the key-note address delivered by Dr. Malcolm S. Adiseshiah at a national Seminar organised by the Young Writers Forum at Srinivasa Sastri Hall on 28th April 1974.

Money supply and production rates :

The first and the obvious cause is the rapid rate at which money supply has been increasing compared to the slow rate at which food articles, clothing and industrial raw materials have been produced. This is the phenomenon popularly known as too much money chasing too few goods. On the one hand the money supply in the hands of the public (which is the currency in circulation plus current accounts in banks) increased by 17.7 per cent in 1973-74, while production of goods increased by around 5 per cent during that period. But money supply, like chickens, comes home to roost in a cumulative sense. During the last 3 years of the Fourth Plan, not only has national income risen by a mere 7 per cent while money supply expanded by 54 per cent, the rate of monetary expansion has been steadily accelerating—11.8 per cent in 1970-71, 14 per cent in 1971-72, 15.7 per cent in 1972-73, and 17.7 per cent in 1973-74. The effective quantity of money in circulation depends not only on its physical quantity but on the speed at which it circulates, the velocity with which incomes are generated, which is a good pointer to the extent of black money. Assuming the velocity of incomes to be 5.0 (which empirical studies in the sixties indicated) the money value of the 1972-73 National product should have been Rs. 49,000 crores whereas the official estimate is, Rs. 39,000 crores, which means that in 1972-73, black incomes of Rs 10,000 crores were generated and black money in cirulcation was Rs. 2,000 crores. As we start the Fifth Plan therefore we must reckon not only with the money creation—the accounted and unaccounted incomes of the last year—but the cumulative effects of the money creation of the previous years.

ank Credit :

Within this fact of the phenomenal increase in money supply, the major factor has been the bank credit extended to the government which was 6 per cent of its expenditures in 1968-69 increasing to 13 per cent in 1972-73. The net Reserve Bank credit to the government jumped steadily during the Fourth Plan period—from Rs. 312 crores in 1970-71 to Rs. 882 crores in 1971-72, Rs. 800 crores in 1972-73 and to Rs. 1.000 crores in 1973-74, which is my estimate, Bank credit to the commercial sector also shows a similar rise from Rs. 728 crores to Rs. 1,200 crores during that period. This credit explosion had no relation to capital accumulation, the production capacity of the economy or to the rate of growth of manufacturing output.

Reduced Plan Investment :

That is to say, the monetary and credit expansion was not meant to feed the Plan expenditures of the government or the normal working capital needs of the corporate sector. The excess money creation was on the other hand used mainly for the government's non-plan, non-developmental expenditures and for financing growing inventories and hoarded goods in the private sector. Against the Rs. 1,538 crores of additional revenue plus Rs 868 crores of deficit finance in 1972-73, only Rs. 925 crores were used for Plan and development expenditures. Similarly in 1973-74 though government receipts rose by Rs. 1,000 crores, deficit financing Rs. 500 crores and net Reserve Bank Credit Rs. 1,000 crores, there has been no expansion in the development expenditures. In fact the Rs. 371 crores economies imposed that year were achieved by cutting back on development and plan expenditures. While salaries and D.A.s were regularly revised upwards, the number of administrative posts increased, no increased investments were made in coal, steel, fertilizer, the demand for investment

goods declined creating unutilised capacity, and all manufacturing commodities were in short supply, exerting a further upward push in prices.

Distribution bottlenecks:

In the case of foodgrains, edible oils, coarse cloth, sugar, kerosene and other essential goods, essential for the vast poor majority of our Country, the general price rise was as much due to the poor distribution system as to the drought in 1972-73. The amount of foodgrains needed by the 30 per cent of our people who are at the bottom of the Country's social and economic scale has been computed at around 12 million tonnes as a minimum and 20 million tonnes as an adequate amount per annum. During the Fourth Plan the annual stock distributed through the public distribution system has never been more than 9 million tonnes and even this has been secured through constant raising of the procurement and issue prices. We have not been able to devise a procurement system to make the distribution system function effectively. We have used two kinds of procurement systems. One that is in use for rice and coarsegrains is for each State to undertake the procurement on the basis of levies on individual producers via the traders and mills, with restriction of movements between intra State zones and prohibition of movement between States. This has worked well for States like Andhra Pradesh, Tamil Nadu, Punjab and Haryana which are rice surplus States but has meant very high prices in deficit States like Kerala and Maharashtra and a complete break down this year as far as coarse grains are concerned to the point where they are selling at near double the prices of rice and wheat. The second system tried last year for rabi wheat was the take over of wholesale trading by the government, leaving the market processes to work at the retail level. The failure of this system, stemming from lack of proper governmental preparation to take on this complex and sensitive area, the poor timing represented by the drought and the lack of any instrument for preventing the stockpiling of wheat by the well to do farmers facing a seller's market, added to the inflationary pressure—particularly for the poor for whom the public distribution system is meant.

In this four fold analysis of the inflationary situation—the inter related rates of increase in money supply and production, the role of bank credit, the cut back in development expenditures and the breakdown of the distribution system—I have not specifically referred to the consequences of the Indo-Pakistan war, and the sustenance of the Bangla Desh refugees, the drought and the power famine as they are the secondary backdrop to the way in which our economic and political processes work in regard to the primary problem of inflation.

Fifth Plan—the Way out:

What of this inflationary situation and the Fifth Plan? The Draft Fifth Plan states that one of its major policy aims is "non-inflationary development". What does this mean and what does it call for in terms of specific action?

Investment:

First, in light of the earlier analysis, it does not mean a reduction of the investment envisaged which is of the order of Rs. 53,000 crores for the Fifth Plan. Out of this the outlay of Rs. 37,000 crores proposed for the public sector is around 25 per cent of the total governmental expenditures, Plan and non-Plan, for the Fifth Plan period. If this outlay which has been computed at 1972-73

prices is deflated at 1973-74 prices during which the 24 per cent price rise took place, the increase over the Fourth Plan outlay is nearer 50 per cent rather than 100 per cent. But most important it is necessary to invest heavily in steel, oil fertilisers, foodgrains, textiles for export, coal and power in order to ensure that there is an increasing supply of essential commodities during the Fifth Plan. In fact non-inflationary development might well call for a higher level of investment than what is proposed in foodgrains, in fertilisers, in coal, in edible oils, in functional education, in rural health services etc. given the further distortions caused by the rise in prices of imported crude, and imported foodgrains and edible oils, not by increasing the total outlay of the Plan but by shifting investment from other non-essential sectors to these essential ones.

Prices:

Second, non-inflationary development calls for non-inflationary financing of the investment proposed in the Fifth Plan. This requires first that the structure of relative prices be such that the prices of goods and services essential to the poverty sector are kept low and the prices of non-essential goods and services are high in order that the savings that accrue are not the outcome of the high prices of essential goods and a cut in consumption of the poverty sector. The high rate of savings needed calls rather for a pricing policy where coarse grains prices are not allowed to be determined by the market forces but are controlled and kept low, and where the hidden subsidies to the non-essential goods sector through the controlled prices of their input components and unrealistic foreign exchange rates are removed or drastically curtailed. Here the price rise announced in March for wheat by 30 per cent and for controlled cloth by 30 per cent move in the opposite direction. They are not inflationary, they generate savings through cut backs in poor peoples' consumption.

Savings—Public Sector:

Third, non-inflationary development in the Fifth Plan calls for an operational and management restructuring of public sector undertakings, so that the increase forecast in the Plan for public corporate savings from 1.3 per cent of GNP (Rs. 634 crores) to 2.4 per cent of GNP (Rs. 1,636 crores) not just wishful thinking but becomes a reality. The plan document admits that the low and even negative savings in some undertakings in the public sector are due to over capitalisation, delays in construction, poor maintenance and labour unrest resulting in under-utilisation of capacity and high costs. The public corporate sector to contribute its projected moderate level of savings must increase its operational efficiency and for tbis each unit must have a detailed plan with appropriate norms of rates of return for which the manager must be made fully and singly responsible, with all the necessary delegated powers including the power to link wages more closely with productivity.

Savings—Private Sector:

Fourth, non-inflationary development in the Fifth Plan calls for a decrease in the rate of increase that is forecast of bank credit to the private corporate sector. On the positive side their savings rate should be raised from the 1.4 per cent of GNP forecast in the Draft Plan. Negatively their financial needs must be met more from internal sources and less from bank credit. This means that they must cut back on their inventories, bank finance for inventories must be drastically reduced, fixed investment must not be financed by bank credit, internal economics must be effected through reduction in non-functional and functional expenses and lengthening of plant life and effective action

taken on higher retained profits and more reliance on market borrowings.

Savings—Government:

Fifth, non-inflationary development calls for an increase in what the draft Fifth Plan calls the incoming flows of the government and a reduction in the outgoing flows from government. These are rather high sounding terms for planning an increase in tax and non tax revenues and a reduction in government expenditures. On the tax side, the majot gaps are: (a) the share of direct agricultural taxation to the total tax revenue of the Country. Here the issues are clearly analysed in the Raj Committee Report on the basis of which each State should act: (b) the use of the tax instrument to strengthen the forces that promote economy, productive savings and innovation. Here the limit of permissible business expenses introduced in this year's budget is a good start, it should be accompanied by tax credits to increases in specific categories of savings, to increases in production by firms over and above established targets and further increases in direct and indirect taxes on non-essential household and corporate consumption. On the expenditure side, the frequent resort to cutting back on plan investments and the propensity to save should be resisted, and instead the non-plan non-development administative expenditures of government such as those on building and construction, official transport and travel, police and defenee and subsidies, direct and indirect, of goods and services consumed by the well to do and even organised workers (steel prices, irrigation and power rates) should be reviewed for finding the economies.

Monetary Measures:

Finally the non-inflationary development in the Fifth Plan calls for one of two rather drastic monetary measures. The first alternative is the clasical unity given the very large creation of money supply that has taken place in the last 3 years with which I began this address, 140 academic economists in the Country have proposed to the Prime Minister a one step single 30 per cent cut in the existing money supply in the Country. The modalities for execution of this measure are: (a) By an executive decree all currency notes above say Rs. 10 in the hands of the public and in Banks and all current accounts in banks are reduced by 30 per cent in value. (b) All holders of currency notes and current deposit holders will be given, in an organised and ordered manner without any rush for exchanging new notes or demonitised notes, saving certificates or blocked bank accounts for the value of their reduced holdings carrying a 5 per cent interest and encashable after a period of 20 years, when the production and distribution structure of the economy can carry this additional money (c) The effect on the consequent fall in prices and incomes should be conserved by a freeze during the Fifth Plan of increases in salaries, wages, profits and dividends crediting any increases that may accrue from increase in productivity to the deferred payment amounts proposed under (b), including provident fund and pension fund holdings. This rather drastic packet of monetary proposals for ensuring non-inflationary development have been made advisedly as the only means of getting on to such a development path from our hyper inflationary situation which has now got out of control and has become self reinforcing and self perpetuating.

The other alternative is what I would call riding the inflation tiger, as Brazil is doing, by revaluing every year all capital and fixed assets, savings, in

current and time deposits, government securities, rents, mortages, salaries, wages, pensions and contracts on the basis of the wholesale price index together with a kind of mini devaluation of the exchange every six months calculated on the basis of the inflation that has taken place and aimed at a realistic foreign exchange rate to protect our foreign trade. Only in the annual escalation of wages, salaries, interest rates, income tax payment and corporate sector earnings, there should be a higher than the indexed escalator in the wages of the unorganised labour sector to ensure some compensation for present and past inequity. This kind of accepting inflation as a necessary accompaniment of our economy in mutation and riding it, is what I have a feeling Mrs. Gandhi meant when she called for some unconventional thinking at the May meeting of the Union Planning Commission.

Inflation is our major affliction today and the national menace for tomorrow. It can be contained and the economy can be turned around to traverse the path of non-inflationary development, if we have the political will to act and permit the necessary political and social processes which are the preconditions for the growing, productive and equitable society that we have established as our Fifth Plan objective. Let us bend our efforts to generate that will.

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